



Preview: RBNZ Rate Decision is Scheduled on Wednesday 5th October 2022 at 02:00BST/21:00EDT

- RBNZ is expected to hike the OCR by 50bps to 3.50% with money markets pricing in a 71% chance of a 50bps hike and 29% chance of a 75bps move.
- RBNZ delivered a hawkish rate hike at the last meeting where it also raised rates by 50bps and increased its OCR projection.
- Firm growth data and the lack of a post-meeting press conference supports calls for the central bank to stay on course.

OVERVIEW: RBNZ is expected to deliver its fifth consecutive 50bps rate hike on Wednesday to lift the Official Cash Rate to 3.50%, with money markets pricing in a 71% probability for such a move and 29% chance of a larger 75bps increase.

PRIOR ACTION & RHETORIC: The RBNZ delivered a hawkish rate increase at the last meeting where it raised rates for the 7th time in as many meetings since the start of the hiking cycle, as well as increasing its projections for the OCR and inflation, with the former now expected to peak next year at 4.1% vs a prior view of just under 4.0%. Furthermore, the central bank noted that conditions need to continue to tighten and agreed that maintaining the current pace of hikes remains the best means, with further increases in the OCR required to meet its remit objectives. Governor Orr also flagged further rate increases, as getting rates to 4% would buy comfort for the policy committee and although he acknowledged that the tightening cycle is very mature, he added that there is still a little bit more to do in terms of tightening.

DATA RELEASES SUPPORT EXPECTATIONS FOR FURTHER TIGHTENING The latest key data releases for New Zealand were mixed, although suggest there is room for additional tightening as GDP growth in Q2 printed firmer than expected at 1.7% vs. Exp. 1.0% (Prev. -0.2%) and with Y/Y growth at 0.4% vs. Exp. 0.2% (Prev. 1.2%), while quarterly Retail Sales deteriorated and fell by 2.3% Q/Q and 3.7% Y/Y. Nonetheless, the contraction in Retail Sales is unlikely to compel the central bank to pivot on its policy adjustments, with 8 out of 9 of the NZIER Shadow Board members recommending a 50bps increase, while some analysts have also revised their RBNZ rate hike views in which TD Securities lifted its OCR forecast for April 2023 to 4.5% from 4.0% and Westpac also raised its view for the terminal rate by 50bps to 4.5%.

ANNOUNCEMENT: The announcement is due at 02:00BST/21:00EDT and attention will also be on the statement for clues if the central bank will persist with the current pace of hiking, while the lack of a post-meeting press conference also supports the likelihood for the RBNZ to stay on its current course.

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