



Preview: RBNZ Rate Decision due Wednesday 23rd November at 01:00GMT/20:00EST

- RBNZ is expected shift to a more aggressive pace and lift the OCR by 75bps to 4.25%, which would be the first time that the central bank raises by such a magnitude.
- RBNZ previously conducted 5 consecutive 50bps increases, although considered a 75bps move at the last meeting, while continued hawkish rhetoric, elevated inflation and a 3-month gap until the next meeting all support the view for a more aggressive hike.
- Focus will also be on the Monetary Policy Statement for the central bank's view of what level the OCR could peak at and Governor Orr will be conducting a press conference and Q&A.

OVERVIEW: RBNZ is expected to conduct a more aggressive hike at its meeting on Wednesday with 15 out of 23 economists surveyed by Reuters forecasting a 75bps increase in the Official Cash Rate to 4.25% and with the remaining 8 calling for the central bank to continue with its 50bps pace of increases, while money markets are pricing in around a 63% chance for a 75bps move and 37% for a 50bps hike.

PRIOR MEETING AND CONSECUTIVE 50BPS HIKES: RBNZ has conducted consecutive 50bps hikes since April this year and stated at the last meeting that core consumer inflation was too high. Furthermore, the Committee had considered whether to increase the OCR by 50bps or 75bps at the prior meeting and members agreed the OCR needed to reach a level where the Committee could be confident it is sufficient to maintain expectations of low inflation in the longer-term and bring consumer inflation back to the target range, while some members highlighted that a larger increase in the OCR would reduce the likelihood of a higher peak in the OCR being required.

HAWKISH RHETORIC AND ELEVATED INFLATION: RBNZ Governor Orr has since reaffirmed the hawkish tone as he noted in the Annual Report that there is more work to do and increasing the OCR is the most effective way to reduce inflation and support maximum sustainable employment over the coming years, while he also recently stated that inflation is still too high in an absolute sense and noted laser-like focus on returning inflation to the 1%-3% target zone. Furthermore, expectations for more aggressive action have been spurred by the continued elevation in inflation as New Zealand CPI rose 2.2% q/q in Q3 vs. Exp. 1.6% (Prev. 1.7%) and y/y by 7.2% vs. Exp. 6.6% (Prev. 7.3%), while the RBNZ Sectoral Factor Model Inflation Index for Q3 increased to 5.4% (Prev. 4.8%) and Inflation Expectations were also higher with 1yr Inflation Expectations at 5.1% (Prev. 4.9%) and 2yr Inflation Expectations at 3.6% (Prev. 3.1%). As such, a majority of the NZIER Shadow Board favour a 75bps rate increase at the upcoming meeting and Westpac also raised its forecast for the OCR to peak at 5.0% from a prev. view of 4.5%, while a 3-month gap till the next meeting also supports calls for a more aggressive hike.

ANNOUNCEMENT: The decision is set for 01:00GMT/20:00EST, with the NZD likely to be lifted if the RBNZ delivers a historic 75bps hike, while a 50bps increase could provide some knee-jerk pressure on the currency, although attention will then turn to the Monetary Policy Statement for the central bank's latest rhetoric and view of what level the OCR will peak. Furthermore, participants will also be focused on the central bank's commentary with Governor Orr to conduct a press conference which will begin 1 hour after the initial rate announcement.

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