



## PREVIEW: RBNZ Rate Decision Scheduled on Wednesday 5th April 2023 at 03:00BST/22:00EDT

- The RBNZ is expected to hike the Official Cash Rate by 25bps to 5.00% as forecast by 22 out of 24 economists surveyed by Bloomberg, while money markets are pricing an 89% likelihood of a 25bps hike and an 11% chance of a 50bps move.
- RBNZ raised rates by 50bps at the last meeting and signalled further rate increases, while it also maintained its view for rates to peak at 5.5%.
- Data releases have deteriorated including a wider-than-expected contraction in GDP which suggests the economy could be on the verge of a recession and has spurred some adjustments in forecasts with Westpac now calling for rates to peak at 5.0%.

**OVERVIEW:** The RBNZ is expected to continue hiking rates at its meeting on Wednesday in an effort to curb inflation, albeit at a less aggressive pace than previously with 22 out of 24 economists surveyed by Bloomberg forecasting the OCR to be lifted by 25bps to 5.00% from the current 4.75%, while money markets are pricing an 89% chance for such a move and an 11% probability for a 50bps increase.

**RBNZ SIGNALLED FURTHER RATE HIKES AT THE PRIOR MEETING:** As a reminder, the RBNZ raised rates by 50bps at its prior meeting, as widely expected, while the central bank remained hawkish in which it signalled further rate hikes to return inflation to target and noted that although there were early signs of price pressures easing, core consumer inflation remained too high and the Committee agreed it must continue to raise the OCR to fulfil its remit. Furthermore, the RBNZ stated that the options it considered were either a 50bp or 75bp increase at that meeting and it also maintained the view for rates to peak at 5.50% but upped its CPI forecast for March 2024 to 4.2% from 3.8%.

**RBNZ RHETORIC HAS REMAINED HAWKISH ALTHOUGH MARKETS ARE PRICING A LESS AGGRESSIVE HIKE AFTER WEAKER DATA:** The rhetoric from the central bank since that meeting has remained hawkish as Assistant Governor Silk stated that they are not contemplating a pause in tightening and all rate hike options are on the table for the April meeting with the RBNZ to do all it takes to control inflation. RBNZ Chief Economist Conway also noted that inflation is high and widespread because strong demand outstripped supply, while he noted that the central bank is incredibly determined to get inflation and inflation expectations back to the target. Nonetheless, markets are pricing a less aggressive hike at the upcoming meeting given the recent deterioration in data including GDP for Q4 which printed at a wider-than-expected contraction Q/Q at -0.6% vs. Exp. -0.2% (Prev. 2.0%, Rev. 1.7%) and places the economy on the verge of a recession, while Retail Sales Volumes Q/Q also shrank, by 0.6% (Prev. 0.4%, Rev. 0.6%). These weak data releases have prompted an adjustment in expectations and the recent global banking turmoil has also added to the case for a downshift in gears with ASB anticipating the RBNZ to hike by just 25bps in April and Westpac now forecasting the OCR to peak at 5.00%.

**ANNOUNCEMENT:** The rate decision is scheduled for 03:00BST/22:00EDT and the focus will also be on the comments from the RBNZ to see if there are any changes to its hawkish rhetoric or if the central bank continues to point to further rate increase which could underpin NZD given median forecasts in a Bloomberg survey for the central bank to pause after this meeting through to year-end. It is also worth noting that the upcoming meeting is a Monetary Policy Review which will not be followed by a press conference and therefore is seen as less likely to result in any major surprises.

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