



PREVIEW: RBNZ Rate Decision Scheduled for Wednesday 16th August 2023 at 03:30BST/22:30EDT

- RBNZ likely to keep rates unchanged with money markets pricing in a 99% probability for the OCR to be kept at 5.50%.
- RBNZ snapped its streak of 12 consecutive rate hikes at the last meeting.
- Focus will also be on the language and peak rate forecast, while Governor Orr will conduct a press conference and Q&A

OVERVIEW: The RBNZ is likely to keep rates unchanged at this week's meeting, with money markets pricing around a 99% probability that the Official Cash Rate will be maintained at the current level of 5.50%.

RBNZ SNAPPED ITS STREAK OF 12 CONSECUTIVE RATE HIKES AT THE PRIOR MEETING: The RBNZ left the OCR unchanged at the prior meeting to end a run of 12 consecutive rate hikes, but this was widely expected given that the central bank had previously signalled that the hiking cycle was over, while the Committee agreed that the OCR will need to remain at a restrictive level for the foreseeable future and noted the level of interest rates is constraining spending and inflation pressures, as anticipated and required. Furthermore, the RBNZ acknowledged inflation remains too high, but is expected to decline within the target range by H2 2024.

LACK OF RHETORIC AND MIXED DATA SUPPORTS THE VIEW FOR A CONTINUED PAUSE: Rhetoric from the central bank has been very light since the last meeting which only took place 5 weeks ago, and therefore there hasn't been much to deviate from the current view of no more rate hikes and that the OCR will need to remain at a restrictive level for the foreseeable future. In addition, the data releases have been mixed and support the case for a continued pause with CPI firmer-than-expected in Q2 at 1.1% vs. Exp. 1.0% (Prev. 1.2%) and YY at 6.0% vs. Exp. 5.9% (Prev. 6.7%), but slowing from the prior quarter and the labour cost index also softer than estimated, while jobs growth topped forecasts at 1.0% vs. Exp. 0.5% (Prev. 0.8%), but the Unemployment Rate rose to 3.6% vs. Exp. 3.5% (Prev. 3.4%).

ANNOUNCEMENT: The rate decision is scheduled for Wednesday at 03:30BST/22:30EDT, while attention will also be on the statement to see if the central bank maintains its guidance for rates to remain restrictive for the foreseeable future and if there is any change in the forecast for the OCR to peak at the current 5.50% level. Furthermore, RBNZ Governor Orr will conduct a press conference and Q&A that begins one hour after the rate announcement.

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