



PREVIEW: RBNZ Rate Decision Scheduled for Wednesday 4th October 2023 at 02:00BST/21:00EDT

- RBNZ is expected to keep the OCR at 5.50% with money markets pricing a 90% probability of no change.
- Projections were slightly lifted at the last meeting to suggest it no longer sees a chance of a rate cut by December 2024.
- Recent data and rhetoric support the view of no near-term policy tweaks.

OVERVIEW: The RBNZ is expected to keep the Official Cash Rate unchanged at 5.50% at its meeting on Wednesday with money markets pricing a 90% probability of the OCR being maintained at the current level and just a 10% chance of a 25bps rate increase.

PRIOR MEETING: The RBNZ unsurprisingly maintained rates for the second consecutive time at its last meeting in August when it reiterated that the OCR will need to remain at a restrictive level for the foreseeable future and the current level of interest rates is constraining spending and inflation pressure, but there is a risk in the near-term that activity and inflation measures do not slow as much as expected. Furthermore, the OCR projections were slightly lifted to suggest it no longer sees a chance of a rate cut by December next year, although Governor Orr stated during the press conference that the OCR track is not forward guidance and is not a strong signal of the next move and noted they are wary about doing too much on rates.

RHETORIC AND DATA SINCE THE LAST MEETING SUGGEST A PAUSE: Shortly after the last meeting, RBNZ Governor Orr noted that the Cash Rate projection over two years deviates very little from 5.50% and there is time to observe, worry and wait on rates, which suggests a rate adjustment seems very unlikely in the near-term, while he also acknowledged there are too many uncertainties to provide forward guidance. Furthermore, the data releases since the last meeting also provide scope for a pause as New Zealand GDP Y/Y for Q2 topped forecasts despite slowing from the prior quarter to 1.8% vs. Exp. 1.2% (Prev. 2.2%)

ANNOUNCEMENT: The rate decision is scheduled for Wednesday at 02:00BST/21:00EDT, while attention will then turn to the accompanying comments, although no major fireworks are anticipated given that the meeting is a review and won't include any new projections. There is also no post-meeting press conference which adds to the unlikelihood of any major surprises.

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