

The Treasury

Reserve Bank Dual Mandate Change Information Release

February 2024

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Cabinet Document Details

Title: **Cabinet Minute: CAB-23-MIN-0469: Removing the "Dual Mandate" from the Reserve Bank of New Zealand Act 2021**

Date: **7 December 2023**

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Cabinet

Minute of Decision

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Removing the "Dual Mandate" from the Reserve Bank of New Zealand Act 2021

Portfolio Finance

On 4 December 2023, Cabinet:

- 1 **noted** that the Reserve Bank of New Zealand (the Reserve Bank) is required by the Reserve Bank of New Zealand Act 2021 to formulate (through the Monetary Policy Committee (MPC)) monetary policy in a manner consistent with the dual economic objectives (the “dual mandate”) of:
 - 1.1 achieving and maintaining stability in the general level of prices over the medium term;
 - 1.2 supporting maximum sustainable employment;
- 2 **noted** that the removal of the Reserve Bank’s dual mandate is a commitment agreed to in the coalition agreement between the National Party and ACT New Zealand;
- 3 **noted** that, in addition to the removal of the dual mandate, the government has committed to take advice on a number of other issues relating to the Reserve Bank, as set out in the coalition agreement between the National Party and ACT New Zealand, namely:
 - 3.1 replacing “medium term” with specific time targets;
 - 3.2 removing the Treasury Observer;
 - 3.3 returning to a single decision maker model;
- 4 **noted** that the Minister of Finance and Associate Minister of Finance, (Hon David Seymour), will jointly consider the advice received on the above matters before bringing any potential subsequent recommendations to Cabinet;
- 5 [33]
- 6 **agreed** to remove the economic objective to support maximum sustainable employment from the Reserve Bank of New Zealand Act 2021 in order to ensure that monetary policy decision makers are focused on achieving and maintaining price stability;

- 7 **noted** that removing the dual mandate from the Reserve Bank of New Zealand Act 2021 is not inconsistent with the continuation of a flexible inflation targeting regime, whereby the Reserve Bank has regard to the real economy when considering how quickly to return inflation to target;
- 8 **invited** the Minister of Finance to issue drafting instructions to the Parliamentary Counsel Office to draft a bill to give effect to the decision in paragraph 6 above;
- 9 **authorised** the Minister of Finance to make consequential changes to the bill, consistent with paragraph 6 above, on issues identified during drafting and passage through the House;
- 10 **agreed** that the intention is to pass the bill in 2023;
- 11 **agreed** that the bill should be accorded urgency in the House, so that it may be enacted ahead of the February 2024 Monetary Policy Statement;
- 12 **invited** the Minister of Finance to report back to Cabinet by 11 December 2023 with a draft bill for Cabinet's approval.

Rachel Hayward
Secretary of the Cabinet