

# The Treasury

## Reserve Bank Dual Mandate Change Information Release

February 2024

This document has been proactively released by **Minister of Finance (Hon Nicola Willis)** on the Treasury website at

<https://www.treasury.govt.nz/publications/information-release/reserve-bank-dual-mandate>

### Cabinet Document Details

Title: **Cabinet Paper: CAB-23-SUB-0469 (Summary): Removing the "Dual Mandate" from the Reserve Bank of New Zealand Act 2021**

Date: **6 December 2023**

Creator: **Cabinet Office**

### Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [33] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

### Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

### Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to [information@treasury.govt.nz](mailto:information@treasury.govt.nz).



# Cabinet

## Summary

---

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

---

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

**Portfolio** Finance

**Purpose** This paper seeks agreement to remove the economic objective to support maximum sustainable employment (MSE) from the Reserve Bank of New Zealand Act 2021 (the Act), in order return to a single mandate for monetary policy.

**Previous Decisions** In March 2018, the previous government agreed to a number of amendments to the Act [CAB-18-MIN-0086].

**Proposal** Section 118 of the Act requires the Monetary Policy Committee (MPC) to formulate monetary policy in a manner consistent with the dual economic objectives of:

- achieving and maintaining stability in the general level of prices over the medium term;
- supporting MSE.

This paper recommends that a bill be introduced to amend the Act to remove the objective to support MSE. A new MPC Remit will be required once the bill is passed, given that any new MPC Remit issued under the existing monetary policy framework would still require some consideration of MSE to remain consistent with the Act.

The Minister of Finance intends to return to Cabinet on 11 December with the draft bill and a new MPC Remit to be issued before Christmas 2023 (following the required consultation with the Reserve Bank), and with a new Charter to be agreed with the MPC.

**Impact Analysis** Cabinet has agreed to suspend the requirement for Regulatory Impact Statements for 100-day Plan initiatives that involve solely the repeal of legislation [CAB-23-MIN-0468]. Some regulatory impact analysis to inform decision making has been prepared by Treasury and is attached in **Appendix 1**.

**Financial Implications** None.

<b>Legislative Implications</b>	Approval is sought to include the bill in the 2023 Legislation Programme with a category 2 priority (must be passed in 2023).
<b>Timing Matters</b>	It is intended that the bill be passed under Urgency before Christmas 2023.
<b>Communications</b>	Cabinet’s agreement to remove the dual mandate will be communicated to the House of Representatives upon the introduction of a bill.
<b>Consultation</b>	Paper prepared by Treasury. The Reserve Bank of New Zealand was informed.

---

**The Minister of Finance recommends that Cabinet:**

- 1 note 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) 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 note 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 note 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 note 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 agree 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 note 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 invite 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 authorise 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 agree to include the bill in the 2023 Legislation Programme, with a category 2 priority (must be passed in 2023);
- 11 agree 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 invite the Minister of Finance to report back to Cabinet by 11 December 2023 with a draft bill and MPC Remit for Cabinet's approval.

Vivien Meek  
for Secretary of the Cabinet

---

**Hard-copy distribution:**  
Cabinet