

The Treasury

Reserve Bank Dual Mandate Change Information Release

February 2024

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From: Hamish Dick [TSY]
Sent: Thursday, 7 December 2023 5:22 pm
To: ^Parliament: Lachlan Stark
Cc: James Beard [TSY]; Simon McLoughlin [TSY]; Tim Hampton [TSY]; Ben Gaukrodger [TSY]
Subject: Proposed new MPC Charter - recommendation

Kia ora Lachy,

As briefly discussed just now, we are comfortable with the Reserve Bank's recommended change to the proposed new MPC Charter (as provided by the Minister to the MPC), subject to one insertion in red.

In our view, there is significant value in the MPC being required to communicate – as well as to just understand – the effects of monetary policy decisions on the sustainability of house prices (as well as to communicate material interactions between fiscal and monetary policy and the interactions with the Government's objectives). This insertion would not require the MPC to communicate such matters at all Monetary Policy Statements, only where relevant.

Our recommendation is therefore that the Minister propose that the MPC agree this insertion to their proposed new Charter.

The proposed section 2(e) would become:

*2e) The MPC should seek to understand **and communicate** material interactions between fiscal and monetary policy, interactions with the Government's economic objectives, the effects of monetary policy decisions on the sustainability of house prices, and support information sharing between the Reserve Bank and The Treasury to facilitate this understanding.*

Thanks,

Hamish



**TE TAI ŌHANGA
THE TREASURY**

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