

The Treasury

Reserve Bank Dual Mandate Change Information Release

February 2024

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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
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Treasury Report: Reserve Bank of New Zealand (Economic Objective)
Amendment Bill: Approval for Introduction

Date:	Wednesday 6 December 2023	Report No:	T2023/2065
		File Number:	MC-1-3

Action Sought

	Action Sought	Deadline
Hon Nicola Willis Minister of Finance	Provide feedback on the attached Cabinet paper	Thursday 7 December 2023

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Hamish Dick	Analyst, Macroeconomic and Fiscal Policy	[39]	[35] ✓
Simon McLoughlin	Manager, Macroeconomic and Fiscal Policy		
Tim Hampton	Director, Economic System		

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Reserve Bank of New Zealand (Economic Objective) Amendment Bill: Approval for Introduction

Overview

1. On Monday 4 December, Cabinet agreed to remove the “dual mandate” from the Reserve Bank of New Zealand Act 2021 (the Act) by removing from the Act the economic objective to support maximum sustainable employment [CAB-23-MIN-0469].
2. As a consequence, the Reserve Bank of New Zealand will be returned to a single mandate of achieving and maintaining stability in the general level of prices over the medium term. Low and stable inflation helps to ensure that monetary policy in New Zealand makes its largest possible contribution to enhancing economic and social outcomes.
3. The Reserve Bank of New Zealand (Economic Objective) Amendment Bill (the Bill) has been drafted to give effect to the policy change agreed by Cabinet. For the Bill to be introduced, Cabinet agreement is required.
4. Attached to the Cabinet paper will be a copy of the new Monetary Policy Committee (MPC) Remit and Charter. Although the MPC Remit is a document issued by you, as Minister of Finance, on Monday 4 December 2023, you were invited to bring a draft of the new MPC Remit to Cabinet for approval [CAB-23-MIN-0469]. The Charter is agreed between you and the MPC, and we suggest that you also provide this to Cabinet on a no-surprises basis. We await your feedback on these draft documents [T2023/2038 refers].
5. These documents will come into effect alongside the coming into effect of the Bill, on the day following Royal assent.
6. We seek your feedback on the attached Cabinet paper and, following the incorporation of any feedback, your approval to lodge this paper with the Cabinet Office by 10am on Thursday 7 December 2023. Depending on the timing of your feedback on the draft new MPC Remit and Charter [T2023/2038] – and consultation with the Reserve Bank (in the case of the Remit) and agreement with the MPC (in the case of the Charter) – late lodgement with the Cabinet Office (on Friday 8 December 2023) may be required.

Recommended Action

We recommend that you:

- a **provide** feedback on the attached draft Cabinet paper, *Reserve Bank of New Zealand (Economic Objective) Amendment Bill: Approval for Introduction*, and
- b **agree** that this Cabinet paper may be lodged with the Cabinet Office for the meeting of Monday 11 December 2023 (subject to your feedback).

Agree / disagree

Simon McLoughlin
Manager, Macroeconomic and Fiscal Policy

Hon Nicola Willis
Minister of Finance

_____/_____/_____