

Adrian Orr: Opening statement to the Finance and Expenditure Committee

Opening statement by Mr Adrian Orr, Governor of the Reserve Bank of New Zealand, to the Finance and Expenditure Committee (FEC), Wellington, 7 February 2024.

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Tn koutou katoa, and thank you Chair.

When I spoke to this Committee following the release of our November Monetary Policy Statement, I explained why the Monetary Policy Committee had agreed to maintain the Official Cash Rate (OCR) at 5.50%. In short, consumer price inflation at 4.7% remains too high, and we remain wary of ongoing domestic inflation pressures. The OCR remains at a restrictive level to slow spending growth in the economy and reduce inflation pressures.

The Monetary Policy Committee will be giving its full assessment of the latest economic data at our February Monetary Policy Statement, due out at the end of this month. It is worth noting that this will be the first reflecting our new remit.

You've just heard from the Bank regarding our November Financial Stability Report. I won't repeat what has already been covered, but I would like to note some other financial stability highlights from the past year.

In December we completed our Outsourcing Policy. This ensures major New Zealand banks can continue to operate if their parent bank fails. Our review of our insurance legislation continues, and we have published a new interim solvency standard. The new Deposit Takers Act, as mentioned by our Chair, will strengthen and simplify our approach to the regulation of banks and other deposit takers, and introduce the Depositor Compensation Scheme. We are well advanced in building the capacity, capability, and resilience needed to support the new legislative expectations.

The recent variation to our Five-Year Funding Agreement was triggered primarily by the Deposit Takers Bill becoming legislation, as well as progress in some multi-year investment programmes. The likelihood of the variation was signalled at the outset of our current Funding Agreement.

We are progressing investment in the Bank's critical infrastructure, including cyber and physical resilience, cash management, investigating a Central Bank Digital Currency, enhanced data collection, and more intensive regulatory supervision given our expanded mandate.

As a full-service Central Bank, we work continuously on being cost-effective and fit for purpose. Our international comparators highlight we are on course.

We work closely with our Council of Financial Regulators partners. We have achieved significant progress on the regime for financial market infrastructures, cyber resilience, and a range of shared issues including financial inclusion, technology, and climate change.

We retain strong relationships internationally, including with other central banks and regulators, and through relevant international institutions such as the Trans-Tasman Banking Council, the South Pacific Central Bank Governors, the International Monetary Fund, the Bank for International Settlements, and the Executives' Meeting of East Asia Pacific Central Banks. These relationships enable us to support initiatives and meet international standards and best practice.

I would like to thank the Board, the Monetary Policy Committee, and our Leadership team for their support. I am tremendously proud of the people at Te Ptea Matua and all they have achieved. I now welcome your questions.

Meitaki ma'ata

Tn koutou, tn koutou, tn koutou katoa