ECONOMY / NEWS

The Reserve Bank of New Zealand has held the Official Cash Rate at 5.50% but noted this policy may be hurting the economy more than expected

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The Reserve Bank held the official cash rate at 5.5% on Wednesday but noted economic indicators may suggest monetary policy was hitting demand harder than expected.
RBNZ's seven person Monetary Policy Committee agreed monetary policy needed to "remain restrictive" and also that it could be loosened as inflation falls.
"The extent of this restraint will be tempered over time consistent with the expected decline in inflation pressures," they said in **the April meeting notes**.
"Some domestically generated price pressures remain strong. But there are signs inflation persistence will ease in line with the fall in capacity pressures and business pricing intentions".
The Kiwi dollar fell sharply immediately after the announcement from US61.3c to US60.9c in a clear sign that the financial markets saw the comments from the RBNZ as more 'dovish' than had been expected. Wholesale interest rates also dropped quite sharply with, for example, the two-year swap rate falling by 8 basis points.

Economists expected the central bank to hold the OCR steady in this meeting, but have been calling for policymakers to rethink their plan to leave rates unchanged until late next year.
At its **meeting in May**, the RBNZ was surprisingly hawkish. It lifted its OCR projection to peak at 5.65% and pushed possible rate cuts out until August 2025.
But last week, a **survey of businesses** found 28% had experienced a drop in activity during the past three months and 25% had laid off staff — similar to in the Global Financial Crisis in 2007.