

Departmental Disclosure Statement

Reserve Bank of New Zealand (Economic Objective) Amendment Bill

The departmental disclosure statement for a Government Bill seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.

It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill; and
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by the Treasury.

The Treasury certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

7 December 2023

Contents

Part One: General Policy Statement.....	3
Part Two: Background Material and Policy Information	4
Part Three: Testing of Legislative Content.....	6
Part Four: Significant Legislative Features	8

Part One: General Policy Statement

Monetary policy that promotes low and stable inflation enhances economic and social outcomes. This Bill seeks to ensure that the Reserve Bank of New Zealand (the Reserve Bank), in making monetary policy decisions, is principally focused on targeting low and stable inflation.

The Reserve Bank of New Zealand Act 2021 (the principal Act) gives the Reserve Bank dual economic objectives of:

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

At present, the Reserve Bank, acting through its monetary policy committee, must formulate monetary policy in a manner consistent with both of the economic objectives.

This Bill removes the maximum sustainable employment objective from the economic objectives in the principal Act, and provides the Reserve Bank with a single economic objective of achieving and maintaining price stability.

This change will provide clarity to the Reserve Bank, financial markets, and the public as to how monetary policy decisions should, and will, be formulated. It is possible that the clear signal of the prioritisation of price stability will positively influence expectations of future rates of inflation. Reducing inflation expectations is an effective way to dampen inflationary pressure, as heightened or unanchored inflation expectations require a more robust central bank response to return inflation to its target.

Part Two: Background Material and Policy Information

Published reviews or evaluations

2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?	YES
<ul style="list-style-type: none"> • <i>'In Retrospect: Monetary Policy in New Zealand 2017-22 (Review and Assessment of the Formulation and Implementation of Monetary Policy, "RAFIMP")'</i>, The Reserve Bank of New Zealand, November 2022: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/monetary-policy-statements/2022/rafimp---in-retrospect-monetary-policy-in-new-zealand-2017-22.pdf • <i>'Reserve Bank Act Review Regulatory Impact Statement'</i>, The Treasury, March 2018: https://www.treasury.govt.nz/sites/default/files/2018-04/rbnz-rev-ris-phase1.pdf • <i>'Review of the Reserve Bank of Australia – An RBA fit for the future'</i>, June 2023: https://rbareview.gov.au/sites/rbareview.gov.au/files/2023-06/rbareview-report-at_0.pdf • <i>'Supporting New Zealand's economic stability – Toitū te Ōhanga: The five-year review of the Remit that guides monetary policy decisions: Advice to the Minister'</i>, The Reserve Bank of New Zealand, April 2023: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/supporting-new-zealands-economic-stability-toitu-te-ohanga.pdf • <i>'Treasury Report: The Reserve Bank's 2023 Monetary Policy Committee Remit Review'</i>, April 2023: https://www.treasury.govt.nz/sites/default/files/2023-06/rbnz-mpc-4777238.pdf 	

Relevant international treaties

2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?	NO
--	-----------

Regulatory impact analysis

2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?	YES
<ul style="list-style-type: none"> • <i>'Regulatory Impact Statement: Removing the "dual mandate" from the Reserve Bank of New Zealand Act 2021'</i>, The Treasury, December 2023: https://www.treasury.govt.nz/publications/legislation/regulatory-impact-assessments 	

2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?	NO
<p>No independent review of the regulatory impact statement was provided due to the urgent nature of the change.</p>	

2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?	NO
--	-----------

Extent of impact analysis available

2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?	NO
---	-----------

2.5. For the policy to be given effect by this Bill, is there analysis available on:	
(a) the size of the potential costs and benefits?	NO
(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?	NO

2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:	
(a) the level of effective compliance or non-compliance with applicable obligations or standards?	NO
(b) the nature and level of regulator effort put into encouraging or securing compliance?	NO

Part Three: Testing of Legislative Content

Consistency with New Zealand's international obligations

3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?

Treasury officials consider the policy changes this Bill gives effect to do not raise any issues regarding New Zealand's international obligations.

Consistency with the government's Treaty of Waitangi obligations

3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?

Treasury officials consider the changes this Bill gives effect to do not raise any issues regarding the principles of the Treaty of Waitangi.

Consistency with the New Zealand Bill of Rights Act 1990

3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?

YES

Advice provided to the Attorney-General by the Ministry of Justice, or a section 7 report of the Attorney-General, is generally expected to be available on the Ministry of Justice's website upon introduction of a Bill. Such advice, or reports, will be accessible on the Ministry's website at: <https://www.justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights/bill-of-rights-compliance-reports/>

Offences, penalties and court jurisdictions

3.4. Does this Bill create, amend, or remove:

(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?

NO

(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?

NO

Privacy issues

3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?

NO

External consultation

3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?

NO

The policy was part of the Government's election platform. Given the urgency of the change, external consultation was not possible.

Other testing of proposals

3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?	NO
---	-----------

Part Four: Significant Legislative Features

Compulsory acquisition of private property

4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?	NO
---	----

Charges in the nature of a tax

4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?	NO
---	----

Retrospective effect

4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?	NO
--	----

Strict liability or reversal of the usual burden of proof for offences

4.4. Does this Bill:	
(a) create or amend a strict or absolute liability offence?	NO
(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?	NO

Civil or criminal immunity

4.5. Does this Bill create or amend a civil or criminal immunity for any person?	NO
--	----

Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO
---	----

Powers to make delegated legislation

4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?	NO
--	----

4.8. Does this Bill create or amend any other powers to make delegated legislation?	NO
---	----

Any other unusual provisions or features

4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?	NO
---	----