

History of the Remit and policy targets agreement (RBNZ, 2023)

A history of the development of our MPC Remit, which used to be called a policy targets agreement.

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The Remit for the Monetary Policy Committee (MPC) outlines the objectives that the MPC must use monetary policy to pursue, as set by the Minister of Finance.

Before 1 April 2019, our Governor had sole legal responsibility for monetary policy, and monetary policy objectives were outlined in a policy targets agreement (PTA) with the Minister of Finance.

Reining in inflation

The first PTA, signed in 1990, defined price stability as an inflation rate between 0% and 2%, to be achieved by December 1992. We succeeded, achieving and maintaining inflation of around 2% from 1991.



[Policy Targets Agreements](#) PDF 997.94 KB

A medium-term focus

Having brought inflation under control, we began to focus more on the medium-term outlook for inflation. This allowed for more flexibility for monetary policy to stabilise the real economy. It also recognised that monetary policy affects inflation with a lag, so it allowed for inflation to deviate from the target for short periods of time.

The initial objective of keeping inflation between 0% to 2% was replaced with a target band of 0% to 3% inflation in 1996, allowing for more flexibility in managing trade-offs. In 2002, the target range was narrowed to 1% to 3% inflation over the medium term.

Anchoring inflation expectations

Finally, in 2012, an explicit focus was given to the 2% mid-point of the 1% to 3% target range. This was important to anchor inflation expectations to 2%. Without a mid-point target, inflation expectations may float to either end of the 1% to 3% band, depending on the economic outlook. In practice, we were already point-targeting 2% inflation, but formalising it in the PTA had a stronger effect on anchoring inflation expectations.

Our dual mandate and Monetary Policy Committee

Since 1990, inflation has been the main objective in the PTA and our previous legislation the Reserve Bank of New Zealand Act (1989) (the Act). However, we also considered the variability of employment and output – key indicators of the real economy – when setting monetary policy. The final PTA, signed in 2018, added an additional policy objective: for us to contribute to supporting maximum sustainable employment (MSE). This was to be pursued alongside the inflation target.

The Act was amended in 2018, shortly after employment was added as a PTA objective. The new Act replaced the Governor as sole decision-maker with a Monetary Policy Committee (MPC) as the decision-making body. It also formally introduced a dual mandate of promoting price stability and supporting maximum sustainable employment.

Monetary Policy Committee Remit – 2019

Under the new Act, the Remit for the MPC replaced the PTA. The first Remit for the new MPC was introduced in 2019 when the Act amendments came into effect.



[Monetary Policy Committee Remit April 2019](#) PDF 86.61 KB

Monetary Policy Committee Remit – 2021

Against a backdrop of increasing house prices and Government concern about the sustainability of house prices, the Government amended the MPC Remit in March 2021. The amended Remit required the MPC to assess the effect of its monetary policy decisions on the Government's policy to support more sustainable house prices.

[The role of house prices in our mandate](#)



[Monetary Policy Committee Remit February 2021](#) PDF 363.44 KB

The first Remit Review

Under the Reserve Bank of New Zealand Act, we must carry out a review of the Remit at least every 5 years. We carried out the first Remit Review across 2022 and 2023. Findings from the review largely endorsed the existing framework of monetary policy, with some changes to improve clarity.

House price sustainability was retained in the framework, but it was moved out of the Remit objectives and into the Charter. This move was to support the distinction between operational targets in the Remit, and Monetary Policy Committee reporting requirements in the Charter.

Monetary Policy Committee Remit – 2023

In 2023, a new Remit was issued by the Minister of Finance.

This new Remit took into account advice we provided to the Minister as part of 2022 to 2023 review of the Remit. This review included findings from research and analysis, as well as public feedback from surveys, workshops, and 2 public consultations.

[Read more about the Monetary Policy Committee Remit Review](#)