



RBNZ, 2025

Strong progress made on post-COVID-19 recommendations for monetary policy

Today we're releasing new research into monetary policy after the COVID-19 pandemic.

Published: 29 September 2025

We have published an update on our progress in responding to recommendations from our review of monetary policy over the 2017 to 2022 period. This is being released alongside an interim review of the recent monetary policy tightening cycle.

The 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy (RAFIMP) proposed 9 recommendations aimed at improving the Monetary Policy Committee's (MPC's) ability to achieve its objectives in an environment of heightened uncertainty and more complex economic shocks.

Chief Economist Paul Conway says the work published today reflects strong progress in responding to the 2022 review and strengthening our monetary policy framework.

“The MPC has gained valuable insights into how economic activity, price setting by businesses, and inflation expectations evolve during periods of high inflation and economic volatility.

“We now have a deeper understanding of supply shocks and structural drivers of inflation and have expanded our use of high-frequency data for more timely and granular monitoring. We have developed new tools to estimate neutral interest rates and run scenario analysis. These improvements ensure the MPC is well equipped to navigate future shocks while maintaining price stability.”

The 2022 review prompted a coordinated programme of research and policy development, Mr Conway says.

“We’ve made strong progress on all recommendations, enhancing our ability to respond to future inflationary pressure and economic volatility.”

First steps towards the next monetary policy review

We have also released new work reviewing the MPC's response to above-target inflation from 2021 to 2024. This work is part of our continuous evaluation and improvement of monetary policy and will be an input into the next full RAFIMP review in 2027. The 2027 RAFIMP will provide a formal set of lessons learned and areas for improvement. The papers released today offer some interim reflections.

The MPC's strategy helped reduce inflation from its peak in 2022 and return it to within the 1 to 3% target band by September 2024. This strategy kept longer-term inflation expectations near the target midpoint, which is key to medium-term price stability.

In hindsight, an earlier or more aggressive tightening might have reduced inflation sooner, Mr Conway says.

"But this would have been difficult given the data available at the time and could have conflicted with the MPC's mandate back then, which included maintaining maximum sustainable employment."

Despite significant data uncertainty, the MPC relied on the best available information to guide its decisions. The accuracy of our economic forecasts has significantly improved, as economic disruptions from the COVID-19 pandemic have subsided.

Communication of the MPC's strategy was generally clear, though with room for improvement, particularly in how the forward OCR track is conveyed. Overall, the MPC navigated a highly uncertain environment and inflation returned to the 1 to 3% inflation target as forecast.

"We are consistently assessing our performance in maintaining low and stable inflation, which is the best contribution we can make to improving New Zealand's long-run economic performance.

The work released today provides a useful interim update ahead of our next full review scheduled for 2027," Mr Conway says.



[Our response to the 2022 monetary policy review: A summary of actions and outcomes](#)

[We have made considerable progress across our policy and analytical toolkit to address the 9 recommendations identified in the 2022 RAFIMP.](#)



[Post-COVID-19 inflation and monetary tightening: The New Zealand experience](#)

[The MPC tightened monetary conditions between 2021 and 2024 to ensure medium-term inflation and inflation expectations would remain well-anchored to the 2% target midpoint.](#)

[This paper sets out the MPC's real-time decision-making, and explores key themes in the New Zealand economy over this period.](#)



Forecasting performance in the post-COVID-19 disinflation period

The MPC's forecast errors increased significantly during COVID-19, but have improved substantially in forecasts published since November 2022. Forecast error analysis helps us make continued incremental refinements to forecasting techniques.

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Simulating the effects of different monetary policy settings after the COVID-19 pandemic using the Reserve Bank's macroeconomic forecasting model

Analysis using our internal forecasting system suggests that, with the benefit of hindsight, earlier or faster tightening would have delivered slightly lower headline inflation in 2022.

A policy stance necessary to keep inflation within the 1 to 3% target band would have led to materially weaker economic outcomes, likely worse than in the 2008 global financial crisis.

More information

2022 Review and Assessment of the Formulation and Implementation of Monetary Policy (RAFIMP)

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