

16 May 2022

Chuck Schooner

Via Email: fyi-request-18955-61ffa301@requests.fyi.org.nz

Dear Chuck

Thank you for your requests dated 23 March 2022 and 16 April 2022 to the Reserve Bank of New Zealand - Te Pūtea Matua under the Official Information Act 1982 (OIA) for the following information:

[...] what information / advice has been provided by the Reserve Bank to mitigate the impact of the breakdown of the fiat currency and in turn people losing their lives savings.

What papers / information and advice are provided to government by Reserve Bank of NZ surrounding the collapse of the US Petrodollar.

If the US Petrodollar is to collapse then I'm assuming the NZ Dollar collapses so what assets does New Zealand have to cover their sovereign debt?

- *Are their assets that NZ uses as collateral to sovereign debt?*
- *What assets are these and are they strategic in nature?*
- *Who / what would lay claim to these assets - global interests, other countries?*
- *Who would be responsible for the collapse of the NZ economy - Ardern, Minister of Finance?*
- *What is backing New Zealand's debt?*
- *What austerity measures would need to be put into place? Maybe we need to cut the majority of the Public Sector / glorified beneficiaries*

Is it time that we ended the Reserve Bank and the government only spends what is gets in taxes?

NZ has the highest benefit rate to minimum wage, our productivity is in the toilet and the only thing that keeps NZ going is the primary sector which the elites are looking to destroy.

What mitigation measures / advice is given to government that will ensure Kiwi's don't lose everything?

Will the reserve bank be responsible in anyway and if so how will they be held accountable? Why should I be bankrupted when I work to a budget and put money away and pay down my debt?

Who will ultimately be responsible for Kiwis losing everything and being unable to afford to put food on the table.

Can you include any and all information the Reserve Bank of NZ has on a potential new global currency / parallel market being developed by the EAEU & China backed by commodities - has the Reserve Bank been briefed on this and how would it impact the NZ dollar?

[...] can you also explain who causes inflation? The government is the only agency that can cause inflation because they are the only entity that can print money. Inflation isn't supply chains etc etc etc - when government prints money inflation occurs. Shouldn't the government be warned about printing anymore money?!

Response

We are refusing your request under section 18(g)(i) of the OIA, as the information requested is not held by the RBNZ and we have no grounds for believing that the information is held by another agency.

In order to assist you to understand the RBNZ's role and to give you some background on the broad topics you raise, I have included some information below.

Role of the RBNZ

Under section 8 of the Reserve Bank of New Zealand Act 1989, the RBNZ is required to formulate monetary policy with the goals of maintaining a stable general level of prices over the medium term, and supporting maximum sustainable employment. Also, the RBNZ must assess the effect of its monetary policy decisions on the Government's policy to support more sustainable house prices. In regards to price stability, the RBNZ's objective is to keep future annual inflation between 1 and 3 percent over the medium term, with a focus on keeping future inflation near the 2 percent mid-point.

Sovereign debt

Sovereign debt may also be referred to as Government debt or public debt. The Government does not use assets or other forms of collateral to "back" its sovereign debt, which is a promise to pay out of future tax revenue. New Zealand has relatively low sovereign debt levels by international standards and has a strong international credit rating. The link below shows New Zealand's credit ratings, as assigned by international credit rating agencies. Credit ratings are a measure of a country's willingness and ability to service its financial obligations.

<https://debtmanagement.treasury.govt.nz/investor-resources/credit-ratings>

Causes of inflation

In New Zealand, a change in the general level of prices is measured by the Consumer Price Index (CPI), which is calculated by Statistics New Zealand. The CPI measures the prices of goods and services purchased by households. Movements in the CPI measure changes to the average level of prices paid by the average New Zealand consumer. The CPI is created by choosing a mix of goods and services purchased by a typical New Zealand household.

In a speech earlier this year, Adrian Orr, Governor of the RBNZ, discussed some of the drivers of inflation in the context of the COVID-19 pandemic. To quote from that speech:

"To a significant extent, the recent increase in New Zealand's consumer price inflation has been driven by global disruptions that have caused sharp price increases for critical commodities and a broad range of imported goods and services.

In the decade prior to the pandemic, imported consumer price inflation into New Zealand was either negative or close to zero. These deflationary or disinflationary 'tradables' price pressures – which makes up 40 percent of New Zealand's CPI basket - acted as an anchor on total headline inflation. ... Monetary policy authorities globally can no longer rely on declining price pressures for internationally tradable goods and services. Central Banks globally are now grappling with high imported prices that have proved persistent.

New Zealand's monetary policy has no direct influence on these imported global prices, other than indirectly – and even then unreliably – via the level of the New Zealand dollar exchange rate.

...

The most notable driver of recent inflation pressures, from a tradables perspective, is rising oil prices. New Zealand petrol prices increased 30 percent in 2021. Higher oil prices have resulted from robust global demand, restrained oil supply during the early stages of the pandemic as global economic uncertainty increased, and more recently geopolitical tensions in Eastern Europe. Higher fuel prices are pervasive within the economy, as they are a significant input cost for many firms."

<https://www.rbnz.govt.nz/research-and-publications/speeches/2022/speech2022-02-25>

Significant government and monetary support globally has helped to avoid prolonged negative impacts on demand from the COVID-19 pandemic. This robust demand has not, however, been met with sufficient global supply due to continued COVID-19 outbreaks, related restrictions and shipping disruptions. These factors have created an inflationary environment globally. New Zealand, as a small open economy, is directly impacted by these developments.

While global factors account for much of the recent inflation in New Zealand, domestic factors are also playing a large role. Continued acceleration in the prices of goods related to the housing sector has accounted for much of the recent increase in domestic or non-tradables inflation, which captures goods and services not exposed to international competition. Housing construction costs have increased at their fastest pace since the late 1980s, reflecting strong demand and labour and materials shortages.

While not directly captured in the CPI, annual wage inflation was 3 percent in the March 2022 quarter. Although this is below current CPI inflation, the increase reflects capacity constraints in the economy. Labour is scarce, so businesses have to offer higher wages to attract and retain staff. At the same time, employees may ask for higher wage increases to cover increased living costs. Consequently, businesses that face higher labour costs may try to pass these on to consumers by increasing their selling prices.

OIA charging

The OIA allows charges to be imposed for the preparation of information in response to requests. The RBNZ is resourced to meet disclosure obligations for a reasonable level of requests and the cost of providing free responses to official information requests is generally borne by taxpayers. However, the RBNZ believes that requesters should bear some of the costs, where allowable under the OIA, when requests are made for large amounts of information, where a response is particularly complex, or where individuals or organisations make frequent requests. In this instance, no charge is being made under the OIA.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the OIA. The relevant details can be found on the Ombudsman's website at www.ombudsman.parliament.nz.

Please note that we intend to publish a copy of this response on the RBNZ website at www.rbnz.govt.nz/research-and-publications/official-information-requests. Responses to

requests are published in order to improve public transparency and provide an additional resource for anyone seeking information.

Yours sincerely

Ross Francis

Ross Francis
Ministerial and OIA Advisor, Government and Industry Relations
Reserve Bank of New Zealand - Te Pūtea Matua