

9 June 2017

Paul McBeth  
Chief reporter  
BusinessDesk

**Via Email:** [paul@businessdesk.co.nz](mailto:paul@businessdesk.co.nz)

Dear Paul

On 24 May you made a request to the Reserve Bank under section 12 of the Official Information Act (the OIA), seeking:

*. . . any correspondence between the Reserve Bank and the Bank of New Zealand relating to BNZ's economic commentary prior to the last Monetary Policy Statement. In particular, a number of financial market participants have remarked on comments published by the BNZ on May 8 relating to the RBNZ's approach to the forward track for the Official Cash Rate in the May MPS.*

**Response:**

The Reserve Bank is releasing to you a letter sent to the BNZ, and a response received from the BNZ. Copies of the letters are attached to this correspondence. Some information has been withheld from these documents under the provisions of OIA section 9(2)(a), in order to protect privacy.

You have the right to seek a review of the Reserve Bank's decisions in relation to your request, under section 28 of the OIA.

Yours sincerely



Angus Barclay  
External Communications Advisor

11 May 2017

Mr Anthony Healy  
CEO  
Bank of New Zealand

Dear Anthony

I am writing to you to draw your attention to the language used in the BNZ Markets Outlook of 8 May 2017, which appeared to bring into question the integrity of the Reserve Bank. While I appreciate that you will not have not reviewed the document in detail, I expect you would also be concerned at the nature of the language used.

The document claims that the Bank would be negligent if it didn't conform to the views of the BNZ economists. Negligence is a serious accusation and implies that the Reserve Bank would not exercise reasonable care in the discharge of its responsibilities. The document also makes other claims that the Reserve Bank would not implement monetary policy in the best interests of New Zealanders. For example, that we would not adjust our policy stance, even if our analysis indicated that appropriate, if it in some way embarrassed the Reserve Bank. To bring into question the Bank's integrity while fundamentally misrepresenting how the Reserve Bank formulates policy is unacceptable.

The Reserve Bank makes a considerable effort to explain its monetary policy processes, engage with market participants, and communicate clearly its monetary policy stance. Given these efforts, I would have expected BNZ economists to be more accurate and careful in their choice of words. I would also expect that the editorial quality assurance process (and any legal sign-off involved) would have identified that an accusation of negligence is inappropriate in a public document distributed by the BNZ.

I should stress that we respect the forecasts made by market analysts and play close attention to their views in our monetary policy process. We do not always expect to agree on outlooks or policy responses, but instead seek that differences of view are reasoned and understood.

You will recall that my fellow Governors each met separately with **s9(2)(a) privacy** **s9(2)(a)** to convey their concern at the personal nature of the criticism being expressed by the BNZ in its written publications. When this failed to address the situation I met with you and passed on examples of the material. I mentioned that the BNZ approach was damaging to the Reserve Bank and the New Zealand financial market, and the personal nature of its tone was contrary to that of other banks.

I would like you to be aware of our serious concerns about the inappropriateness of the language used in the document and would ask that you bring it to the attention of those responsible for the editorial quality and any legal sign off.

Yours sincerely



Graeme Wheeler

s9(2)(a) privacy

16 May 2017

Graeme Wheeler  
Governor  
Reserve Bank of New Zealand  
PO Box 2498  
**Wellington 6140**

Dear Graeme,

I refer to your letter of 11 May 2017 expressing concerns about commentary in the *BNZ Markets Outlook* of 8 May 2017.

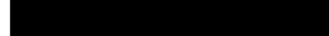
I would like to acknowledge both the sentiment and concerns that you have expressed in your letter and assure you that **s9(2)(a) privacy** [redacted] treating this matter with the utmost seriousness.

We will be reviewing the contents of the *BNZ Markets Outlook* and the concerns expressed in your letter in detail. Once that process is complete, I would appreciate the opportunity to have a call with you to discuss the outcomes of that review.

Please let me know if a call in the week of 29 May would be possible and I will ask my Regulatory Affairs team to arrange this.

Thank you for bringing your concerns to my attention and I look forward to hearing from you.

Yours sincerely,  
s9(2)(a) privacy

  
**Anthony Healy**  
Managing Director & CEO