

What does the IMF say about New Zealand's economic outlook?

New Zealand's economy is in a necessary slowdown after its resurging post-pandemic recovery. The government and the Reserve Bank of New Zealand (RBNZ) have responded by tightening monetary and fiscal policy, but inflation hasn't dropped. This is due to various labor market constraints specifically the demand for a wage increase and the derangement of supply chains plays as additional factors. The economy will slow down in 2023 and 2024 due to monetary tightening. Growth could slow to 1% and there is a possibility of a technical recession. Inflation is expected to fall back between 1%-3% by 2025.

Conclusions reached by the Executive Board

Medium-term fiscal consolidation and efficiency gains in discretionary spending must be achieved. While financial stability indicators are good, household and financial balance sheets must be watched closely. Concerns were raised about the housing shortage, noting that it is necessary to make housing more affordable and expand the supply of housing, including social housing. The RBNZ should have a plan in place to provide liquidity if funding markets come under stress, regardless of the cause. Immense praise was heaped on the New Zealand authorities for their efforts to promote sustainable, inclusive, and green growth. This came to light after the revised structure of its Emissions Trading Scheme. A positive reception was felt for the 2022 Digital Strategy for New Zealand, aimed at boosting the digital workforce, reducing labor shortages, and skills mismatches, and providing a forum for increased digital inclusion of marginalized groups.

