



ECONOMIC BULLETIN

Some further thoughts on the new RBNZ Governor.



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A new Governor and a new chapter for the RBNZ.

- Dr Anna Breman will take over as RBNZ Governor on 1 December.
- Dr Breman is a highly-qualified candidate who should serve the RBNZ well.
- Previously, Dr Breman appears to have taken a considered but moderately dovish perspective compared to the Riksbank Executive Board consensus.
- There may be some evidence of activism – but not to the extent of previous Governor Orr.
- The Riksbank has generally been open to experimentation and transparency which could shape the Governor's approach in the new role.
- The existing MPC will take the decisions in the October and November OCR meetings.
- It is possible that Governor Hawkesby will feel more inclined to follow the views of members who will remain on the Monetary Policy Committee (MPC) post November.
- At the margin, this might push up the odds of a 50bp cut for October as the ongoing incumbents were likely more dovish in August.

Yesterday the Minister of Finance announced the appointment of Dr Anna Breman to the RBNZ as Governor from 1 December. [Her CV is available here](#) and [our first impressions of her appointment are here](#).

Dr Breman's appointment was not widely expected, and we now have some further thoughts on what her arrival to the RBNZ may mean going forward. Some key questions follow.

How different is New Zealand to Sweden?

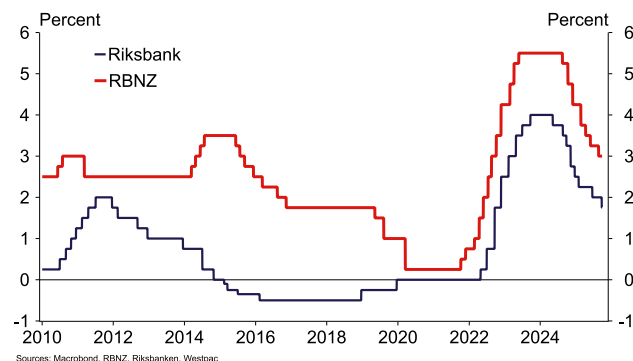
One line of media questions at the press conference yesterday concerned Dr Breman's ability to adapt to the intricacies of the New Zealand economy.

While there are clearly differences between the New Zealand and Swedish economies – e.g., the primary sector in Sweden is much smaller than in New Zealand – there are also many similarities. Both are small economies (although Sweden's economy is more than double the size of New Zealand's) and both are open economies (indeed exports account for a greater share of GDP in Sweden than in New Zealand). The importance of the exchange rate as a monetary policy transmission channel will be very familiar to Dr Breman.

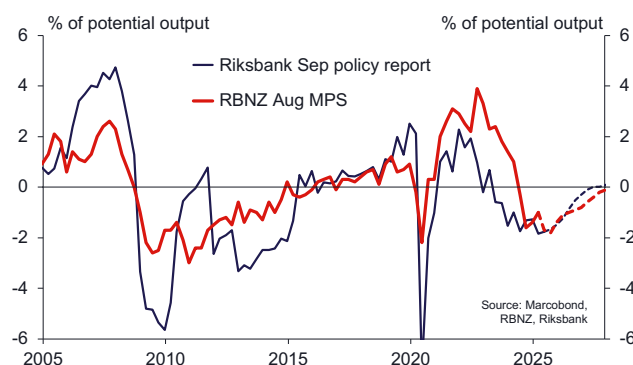
The general approach to monetary policy making will also be very familiar. Both the RBNZ and Riksbank are inflation targeting central banks (indeed they share the goal of keeping inflation near 2%). And both do so flexibly, with developments in output and employment taken into account when deciding how quickly to return inflation back to 2% following a shock. Moreover, in recent times, the Riksbank has faced similar economic conditions in Sweden to those faced by the RBNZ in New Zealand. While inflation remains somewhat elevated, the economy has been weak and operating with a sizeable negative

output gap (i.e., plentiful spare capacity). Indeed, this led the Riksbank to lower its policy rate to 1.75% earlier this week – near the bottom of the Bank’s 1.5-3.0% range of estimates for the long-term nominal neutral rate in Sweden.

RBNZ and Riksbank policy rates



Central bank output gap estimates



What was her voting record while at the Riksbank – is she a dove or a hawk?

We are reluctant to label the new Governor before she arrives in the role. We note that she is a well-qualified candidate and brings a strong academic background and a track record of taking a considered analytical approach to monetary policy formulation. We don’t think it reasonable to expect Dr Breman to come to the role with strong preconceptions on the New Zealand situation and the outlook for policy. We are sure she will take a considered, analytical data-driven approach. At the same time, in yesterday’s press conference, she emphasised that she would go to some lengths to get around the country and meet with people and businesses. This suggests that she is also quite a pragmatic policymaker, willing to use information from industry experts and others to supplement formal data sources.

When we look at her public comments and voting record while at the Riksbank we do see evidence that she was in the dovish range of the Riksbank Executive Board. In the 35 Executive Board meetings that she has participated in, on 33 occasions she voted with the consensus. Her

two dissents were dovish: in December 2019 she voted against a 25bp hike, while in April 2023 she preferred a 25bp hike to the consensus call for a 50bp hike. However, it’s important to recognise that this does not necessarily mean she would be dovish relative to the RBNZ MPC in place in recent years.

We also see some evidence that Dr Breman has activist tendencies relative to the other members of the Executive Board. For example, in 2020 she was firmly with the consensus on advocating for large scale asset purchases to combat the pandemic. However, by later in 2020, Dr Breman was among the group that began to express reservations about the duration and scale of the policy. Also in 2022, Dr Breman appeared to have adopted a hawkish stance at least as quickly as the wider Board but was a relatively early mover to a more balanced approach and in 2024 and 2025 tended to be relatively dovish compared to the broader Board. Note though, it’s by no means clear that Dr Breman was as activist as the previous RBNZ Governor Orr who tended to be relatively aggressive in that regard.

How has Dr Breman balanced inflation and growth pressures in her advice this year?

We see evidence of a willingness to look through higher short term inflation pressures and focus on medium term growth and inflation pressures. For example, in a recent presentation she noted:

“Inflation has been higher than expected in recent months. The upturn is explained by factors that monetary policy would normally disregard; new weights in the CPI basket, rents and administrative prices that reflect earlier price increases. Inflation is expected to fall back next year. But we need to be extremely vigilant and to act if forward-looking indicators point to inflation being lastingly above the target.”

In many respects there are parallels to the New Zealand situation where similar conflicting factors have been considered by the RBNZ MPC. We suspect that Dr Breman would have been comfortable with the RBNZ’s dovish pivot in the August Monetary Policy Statement where more focus was put on insurance against downside risks to growth compared to high short term inflation pressures.

What might be her approach to transparency and communication?

A challenge the RBNZ has faced in recent years has been in the area of transparency and communication. The RBNZ has adopted a consensus model where the views of individual MPC members have been deemphasised relative to a group consensus view. We recently wrote a note discussing some changes to this model a new RBNZ Governor could consider. That note suggested

more transparency on individual members' views, more information on the range of risks individual members perceive and more regular press conferences where the RBNZ explain their policy decisions.

The Riksbank has a strong track record of transparency and has been a trail blazer in the area for decades. For example, the Riksbank quickly followed the Bank of England in adopting the use of fan charts for the communication of forecast uncertainty in December 1997. Most of the recommendations in our earlier note cite the Riksbank as examples of alternative practice (regular press conferences, published MPC member views on the outlook, publicised votes).

In **a recent speech**, Dr Breman argued in favour of the Riksbank's 2007 decision to begin recording the names of who had said what in its published minutes, which she said had led members to take greater pains to explain their positions in detail. She argued that it had led to Board members referring more often to their own previous contributions and judgements and could possibly be seen as an expression of Board members feeling greater responsibility for their stances over time. We think that it is likely that Dr Breman will seek to bring this approach to the RBNZ and we expect the Minister of Finance to be receptive to proposals to alter the MPC's Charter in ways that improve transparency and accountability.

More generally, in her speeches – including her remarks during yesterday's press conference – she emphasised that transparency builds trust among both financial market participants and the public. A further aspect of that is her support for the use of alternative scenarios to better communicate the uncertainty that surrounds the monetary policy outlook, so that people are less surprised when monetary conditions deviate from what might have been forecast and seen as sensible earlier. This was also a theme in a conference that the RBNZ hosted earlier this year. So, we expect to see more use of scenario analysis in Monetary Policy Statements written under her watch.

What does her appointment mean for this year's remaining MPC decisions?

Given that Dr Breman does not formally start until 1 December, in principle her appointment has no obvious implications for the upcoming meetings on 8 October and 26 November. That said, we cannot rule out the possibility that she participates in the final stages of the November meeting as an observer as part of the transition process. And if so, while she would not have a vote, it is not unreasonable to think that MPC members would be interested in her viewpoint.

Perhaps of greater interest is the implications of the impending departure of current Governor Christian Hawkesby on 30 November. We didn't think that Hawkesby was probably one of the two MPC members that urged a 50bps "circuit breaker" cut at the August MPS meeting. The weak GDP data last week might have changed that perspective. But nevertheless, it seems less likely that Hawkesby will try to drive the MPC consensus view one way or the other since he will not be on the MPC to deal with whatever transpires after November. At the margin, we think that this might increase the likelihood of a 50bp cut on 8 October.

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