

Mahi Tahī: Working Together to Ensure Cash-flow and Confidence

We're working closely with the whole of Government and industry to keep our financial system stable ensuring foreign exchange, debt and money markets are operating efficiently and at low cost. We're keeping cash-flow moving around the economy – between banks, firms, households, and the Government.

We've got a broad range of initiatives in place to respond to COVID-19

Monetary policy: we're keeping interest rates low to build confidence and enable cheaper lending for businesses and households

- We've lowered the **Official Cash Rate** to 0.25% and are committed to keeping it there for the next year.
- We're keeping long-term interest rates down by buying up to \$100bn of NZ Government Bonds, Local Government Funding Agency (LGFA) Bonds and NZ Government Inflation-Indexed Bonds in the secondary market.
- We have also introduced a Funding for lending programme (FLP), which allows eligible banks to borrow from us at the OCR.

Financial Stability: we're 'banking the banks' to maximise their access to cash and keep the economy stable

- We're ensuring banks can access enough cash to keep lending long-term at low interest rates (**ESAS tiers**, **Term Auction Facilities** and **Term Lending Facility**) and we're providing additional channels for banks to keep funding corporate clients (**Corporate Open Market Operations**).
- We're also consulting on re-instating mortgage loan-to-value ratio (LVR) restrictions, with effect from March 2021. The restrictions were removed in the early days of the COVID-19 pandemic to help banks and their customers who used the mortgage deferral scheme, and to best ensure the flow of credit through the economy. Since then, circumstances in the lending market have improved and we are now observing rapid growth in higher-risk investor

lending. As such, it is now appropriate to consider putting restrictions back in place.

Meeting the needs for access to cash: we're making sure there's plenty of cash and it's safe to use

- Cash is well distributed to ensure people can access it all around New Zealand.
- We're monitoring and working closely with **cash system** players to ensure a stable supply.

We're working with the Government to support households and businesses

- We've helped roll out the Government **mortgage payment deferrals** and **business finance guarantee scheme**. To help banks and other regulated firms focus on supporting households and businesses, we've deferred some regulatory initiatives, including the planned increases in bank capital requirements, and we're allowing firms some delays in their reporting and disclosure.

The Government is also supporting households and businesses directly.

- Helping people maintain cash flow and connection to employment through income support, redeployment and wage subsidies.
- Ensuring viable and important businesses – big and small – can bridge through the difficulties ahead, through financial support and regulatory tax changes.

More information on Reserve Bank Initiatives at www.rbnz.govt.nz/covid-19

More information on Government financial support at www.covid19.govt.nz

