

## **Section 68B direction on Government policy**

Pursuant to section 68B of the Reserve Bank of New Zealand Act 1989 (the Act), I direct the Reserve Bank of New Zealand (the Reserve Bank) to have regard to the following Government policy that relates to its functions under Part 5 of the Act.

### **Government policy**

It is Government policy to support more sustainable house prices, including by dampening investor demand for existing housing stock which would improve affordability for first-home buyers.

### **Consultation**

The Reserve Bank has been consulted on this direction.

### **Communication**

Pursuant to section 162B(1)(da) of the Act, the Reserve Bank is required to report on how it has had regard to this direction in its next Statement of Intent.

### **Review**

I intend to review this direction in the first half of 2022, as part of the development of the new financial policy remit under the Reserve Bank of New Zealand Bill, if enacted.



Issued at Wellington this 25<sup>th</sup> day of February 2021

**Hon Grant Robertson, Minister of Finance**

**Explanatory note** *(not part of this direction)*:

The Act requires that the powers conferred on the Reserve Bank under Part 5 be exercised for the purpose of promoting the maintenance of a sound and efficient financial system. An unsustainable level of house prices suggests a risk of future large adjustment in house prices. Large house price adjustments, coupled with vulnerabilities such as high household debt, pose significant risks to financial stability. Rapid house price growth, without commensurate increases to income, raises the risk of house price correction that may affect the stability of New Zealand's financial system.

To promote the maintenance of a sound and efficient financial system, the Reserve Bank imposes a range of conditions of registration on financial institutions in relation to their ability to carry on business in a prudent manner.

The adoption and implementation of these conditions of registration has implications for the housing market and also for the Government's broader policy objectives.

The Government policy which is the subject of the direction forms part of the Government's overall economic objective to improve the wellbeing and living standards of New Zealanders through a sustainable, productive and inclusive economy.

An effectively functioning housing market is a critical component of a sustainable and inclusive economy and promotes the maintenance of a sound and efficient financial system.

Access to affordable housing is a significant and growing concern for New Zealanders. Despite the impact of COVID-19, median house prices have increased significantly in the past year.

The current state of the housing market creates significant societal inequities, and cuts across a number of this Government's goals.

To that end, the Government's policy objectives for the housing market are to:

1. Ensure every New Zealander has a safe, warm, dry and affordable home to call their own – whether they are renters or owners;
2. Support more sustainable house prices, including by dampening investor demand for existing housing stock which would improve affordability for first-home buyers;
3. Create a housing and urban land market that credibly responds to population growth and changing housing preferences, that is competitive and affordable for renters and homeowners, and is well-planned and well-regulated.