

Our response to COVID-19



During COVID-19 we introduced a range of initiatives to provide additional monetary stimulus and to support the smooth functioning of New Zealand's financial markets.

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About our response

Our initiatives during COVID-19 enlarged our balance sheet from its December 2019 (pre-COVID-19) level of \$24.60 billion to a peak of \$104.38 billion at the end of February 2023.

As of July 2023, we're no longer updating this page.

Assets

^ **Large Scale Asset Purchase (LSAP) programme**

We bought NZ Government Bonds, Local Government Funding Agency Bonds and NZ Government Inflation-Indexed Bonds, as a part of a [Large Scale Asset Purchase \(LSAP\)](#) programme. We halted additional asset purchases under the LSAP programme on 23 July 2021 as per the decision made by the Monetary Policy Committee on 14 July 2021. The Committee agreed that further asset purchases under the LSAP programme were no longer necessary for monetary policy purposes.

In February 2022 the Monetary Policy Committee agreed to commence the gradual reduction of our bond holdings under the LSAP programme through both bond maturities and managed sales back to New Zealand Debt Management (NZDM). Reducing bond holdings will provide the Committee more scope to use LSAPs in the future and will support the management of liquidity in the financial system. Bonds will be sold at a rate of \$5 billion per fiscal year. Local Government Funding Agency Bonds will be held to maturity.

The LSAP programme remains an important tool for supporting the efficient functioning of the New Zealand debt market if required, and remains an important monetary policy tool if needed.

The Crown agreed to indemnify the Bank in respect to financial losses associated with the LSAP programme. Under the letter of indemnity issued by the Minister of Finance, the Crown will reimburse the Bank for any net losses from the LSAP programme and, conversely, any surplus from the programme must be paid to the Crown. If, for example, we have net mark-to-market losses from LSAP bonds, we will have a corresponding receivable from the Crown, which will be accounted for as an asset in our balance sheet. Movements in this balance have no impact on the consolidated Crown balance sheet, as they are claims between the RBNZ and the Crown. We publish the Crown indemnity balance for the LSAP programme in our balance sheet data, released every month. We expect the Crown indemnity balance to fluctuate in line with market movements.

[See our balance sheet data](#)

More information

[Large Scale Asset Purchases](#)

[Expanded Large Scale Asset Purchases](#)

[Indemnity arrangements with the Minister of Finance](#)

[Halting Large Scale Asset Purchases](#)

[Gradual reduction of the LSAP portfolio](#)

^ **Bond Market Liquidity Support (BMLS) programme**

We introduced a **Bond Market Liquidity Support (BMLS)** programme to bolster the functioning and liquidity of the NZ Government and LGFA bond markets. The programme complements our activities above by allowing us to purchase bonds at short notice, to improve market liquidity and provide confidence to market participants.

[More information on Bond Market Liquidity Support](#)