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Analytical Note

Macroeconomic and fiscal impacts of quantitative easing in New Zealand.

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Key findings

- Simulation evidence from a macroeconomic model of large scale asset purchases in New Zealand suggests that the asset purchase programme supported output and inflation during the COVID-19 economic crisis.
- The simulation suggests that asset purchases did not meaningfully contribute to the rise or peak of inflation following the crisis.
- Moreover, the simulation indicates that the asset purchase programme had negligible effects on consolidated government debt. This is due to central bank losses being offset by increased economic activity and associated tax revenues in the model.
- A counterfactual experiment in which moderately negative policy rates replace large scale asset purchases suggests that an effective lower bound of -0.75 percent would have allowed for similar economic outcomes with lower government debt overall.

1 Introduction

Leading up to the Global Financial Crisis (GFC), interest rates had slowly declined across many advanced economies. As a result, the policy rates in these economies were in danger of reaching the effective lower bound (ELB); the point at which the interest rate cannot be decreased further to stimulate the economy. As a result, advanced economy central banks began to explore additional monetary policy (AMP) tools for boosting demand. In response to the GFC, many of these central banks deployed one such tool, quantitative easing, wherein the central bank purchases assets such as bonds or other securities on a secondary market.

Likewise, New Zealand applied a mixture of policies in response to the coronavirus disease 2019 (COVID-19) pandemic and the related economic crisis. On the monetary policy side, this included the implementation of a Large Scale Asset Purchase (LSAP) programme by the Reserve Bank of New Zealand - Te Pūtea Matua (RBNZ).[1] While many advanced economies had implemented quantitative easing policies following the GFC as noted above, this was the first time that such a tool was implemented in New Zealand.

[1] While the New Zealand LSAP programme involved primarily purchasing New Zealand government bonds, such programmes in other jurisdictions have included a wider array of assets. For example, in the United States, quantitative easing has included the purchase of mortgage-backed securities and agency debt of housing-related government sponsored enterprises Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (Federal Reserve Bank of New York, 2025). The European Central Bank's asset purchase programme has included corporate debt, debt issued by recognised agencies, regional and local governments, international organisations and multilateral development banks, asset-backed securities, and covered bonds (European Central Bank, 2025).