The emergence of the COVID-19 pandemic became an economic event of extraordinary scale across the world. In response to the economic effects of COVID-19, the RBA implemented a comprehensive package of monetary policy measures in Australia to support jobs, incomes and businesses. This Illustrator outlines these measures.

### Policy interest rate

- **Target:** The target for the cash rate is 0.1 per cent. The cash rate will not be increased until actual inflation is sustainably within the 2 to 3 per cent target range. Meeting it will require the labour market to be tight enough to generate wages growth that is materially higher than it is currently.

### Asset purchases

- **RBA Target:** The RBA targeted a yield of 0.10 per cent on the Australian Government Bond expiring in April 2024. This was a price target at the shorter part of the yield curve. On 2 November, the Board announced that the target on the April 2024 bond had been discontinued.
- **RBA Purchases:** The RBA purchases government bonds issued by the Australian, state and territory governments in the secondary market. This is a quantity target at the longer part of the yield curve and is also known as quantitative easing (QE). The RBA is currently purchasing bonds at a rate of $4 billion per week until at least mid February 2022.

### Term Funding Facility

- **Banks and other authorised deposit taking institutions have borrowed funding from the RBA until mid 2024 at an interest rate equal to the cash rate target. Banks can use this funding to make loans to businesses and households. The Term Funding Facility is now closed to new borrowing.**

### Interest rate on Exchange Settlement balances

- **Interest rate:** The interest rate that banks receive on Exchange Settlement balances is zero.

### Why are they used?

- To support the economy through the normal transmission mechanisms, including lower borrowing costs, a lower exchange rate than otherwise and higher prices of some assets than otherwise. This makes it easier to borrow and increases confidence to spend.
- To reinforce the RBA's commitment to low interest rates and reduce uncertainty about the economic and financial outlook.
- To lower the whole structure of interest rates across the economy and affirm the RBA's commitment to keep interest rates low. This will work to support the economy through the same mechanisms as the cash rate target, including lower borrowing costs, a lower exchange rate than otherwise and higher prices of some assets than otherwise. This makes it easier to borrow and increases confidence to spend.
- To lower the cost of funding loans for the entire banking system, which will support the supply of credit to businesses and households and lower the interest rates they pay to borrow.
- Zero interest paid on Exchange Settlement balances puts a floor under the cash rate which in turn puts a floor under all interest rates in the economy.