General Discussion of 'Macroeconomic and Fiscal Impacts of Quantitative Easing in New Zealand'

One participant noted that the estimated exchange rate impact of bond purchases by the Reserve Bank of New Zealand was larger than the corresponding exchange rate impact estimates for Australia. It was also noted that the overall effect on the exchange rate depends on the actions of foreign central banks, with bond purchase programs in other countries potentially offsetting or even reversing the response of the exchange rate. Participants agreed that model extensions should consider the difference in transmission across different unconventional policies and decompose their transmission channels.

On remittances, it was noted that the Reserve Bank of New Zealand passed financial losses from its bond purchase programs to the New Zealand Treasury, while the Reserve Bank of Australia reduced remittances to zero without transferring any losses. It was noted that the current model did not contain a mechanism through which the differences between these approaches might affect macroeconomic outcomes.

Participants then discussed whether either remittance approach influenced fiscal policy. There was general agreement that both fiscal and monetary authorities focused on supporting the economy during the COVID-19 pandemic, but balance sheet losses drew attention post-crisis. It was noted greater consideration should be given to communicating potential changes to the consolidated government balance sheet in future crises.