

NZ and COVID-19:

Impacts, outlook and resetting our future

Donna Purdue
Chief Economist
November 2020



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

A photograph of the Ministry of Business, Innovation & Employment building in New Zealand. The building is a modern, multi-story structure with a glass facade. The name of the ministry is displayed in large, raised, metallic letters on the building's exterior. The image is partially obscured by a teal and green geometric overlay.

**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

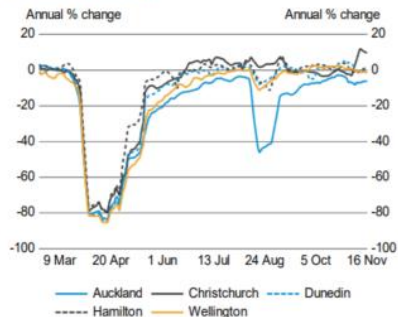


A few key observations

- Real time indicators bounced back sharply post lockdown
 - Strength and persistence of the rebound has been surprising
 - Most forecasters pared back their expectations for the depth of the recession and peak in unemployment
 - Monetary and fiscal stimulus playing the cushioning role intended
 - But uncertainty is rife and there are reasons for caution in the next 6-9 months
 - Global outlook going from ugly to uglier as second waves take hold
 - Pent up demand and lockdown savings can only take us so far
 - Timing of when COVID-19 struck was fortuitous and our luck is about to run out
 - And key income support measures have come to an end
 - Policy has a lot more work to do
 - Cyclical dynamics matter but structural factors important
 - COVID-19 presents a once in a generation opportunity to reset our economy for the future
-

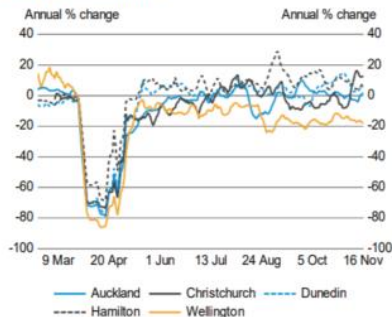
Domestic sectors showing resilience

Traffic Movement



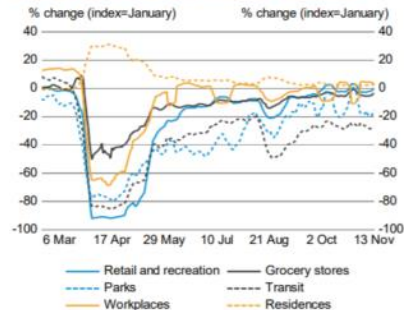
Source: Waka Kotahi NZ Transport Agency

Freight Movement



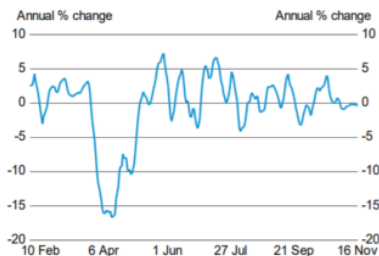
Source: Waka Kotahi NZ Transport Agency

People Movements at Selected Locations



Source: Google

Electricity Demand



Source: Electricity Authority

Retail Spending



Source: Paymark and Verifone data via Data Ventures

House Price Indexes

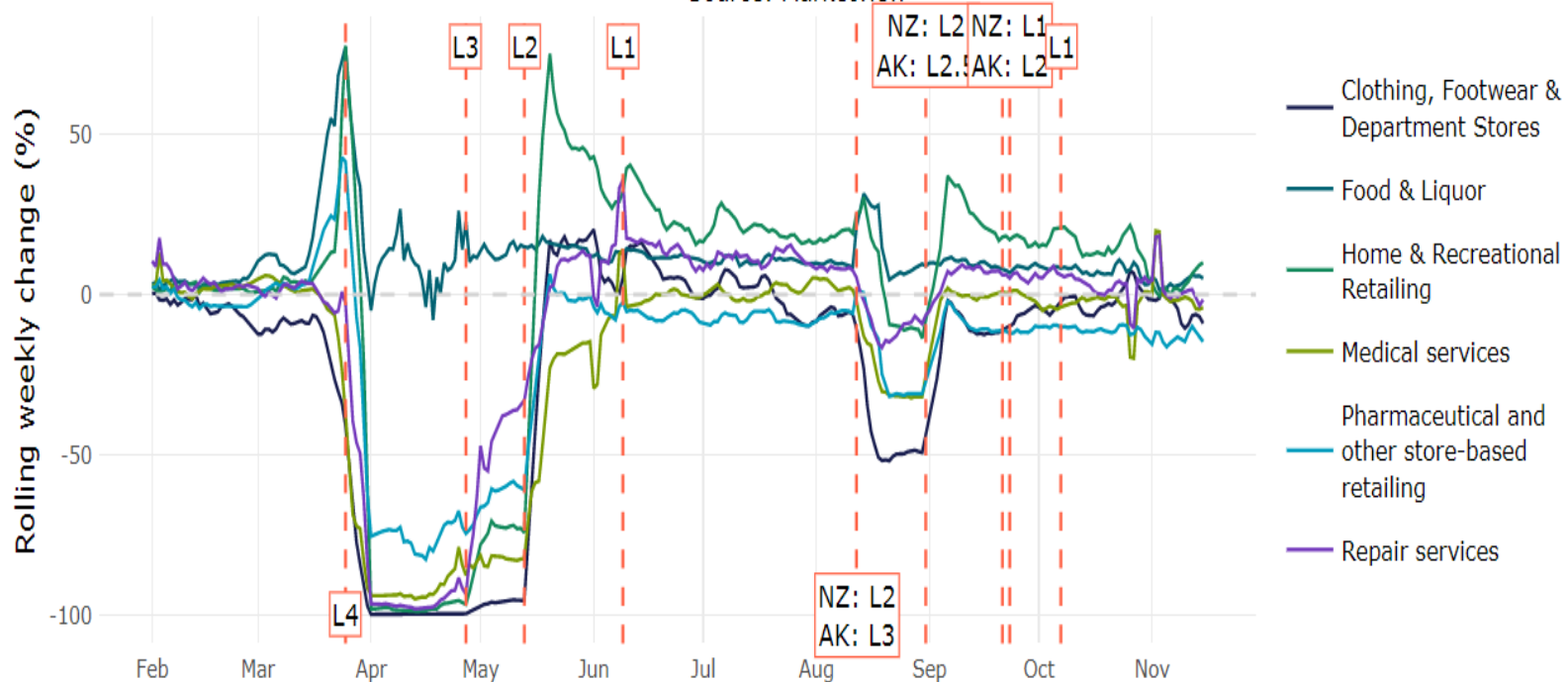


Source: REINZ

“Buy local” has become our new mantra

Weekly consumer spend change vs 2019 by product

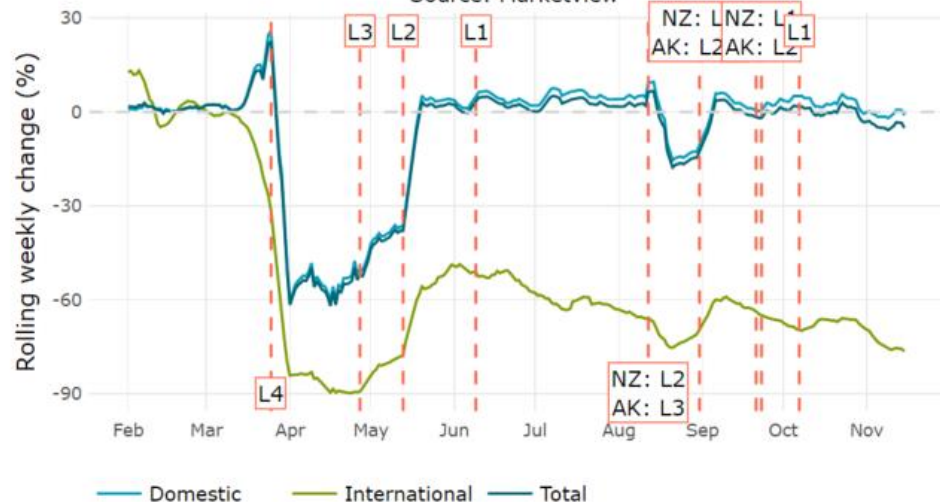
Source: Marketview



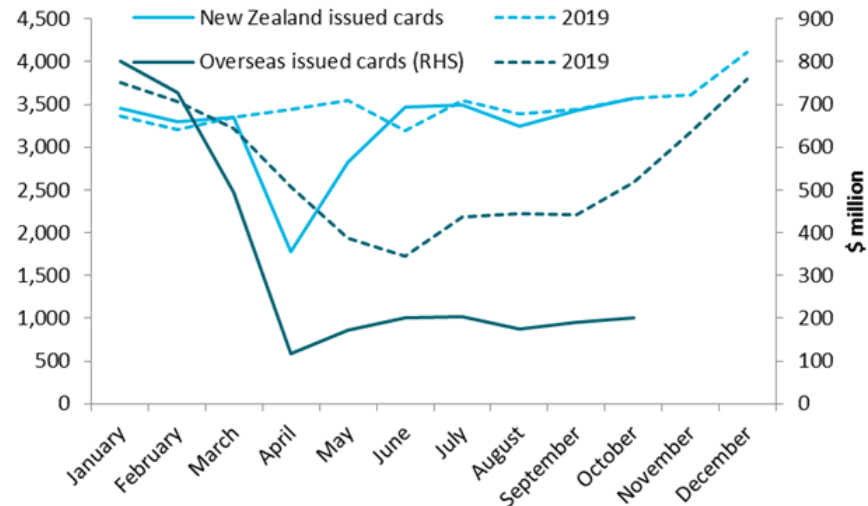
But locals not an exact substitute for tourists

Weekly consumer spend change vs last year

Source: Marketview

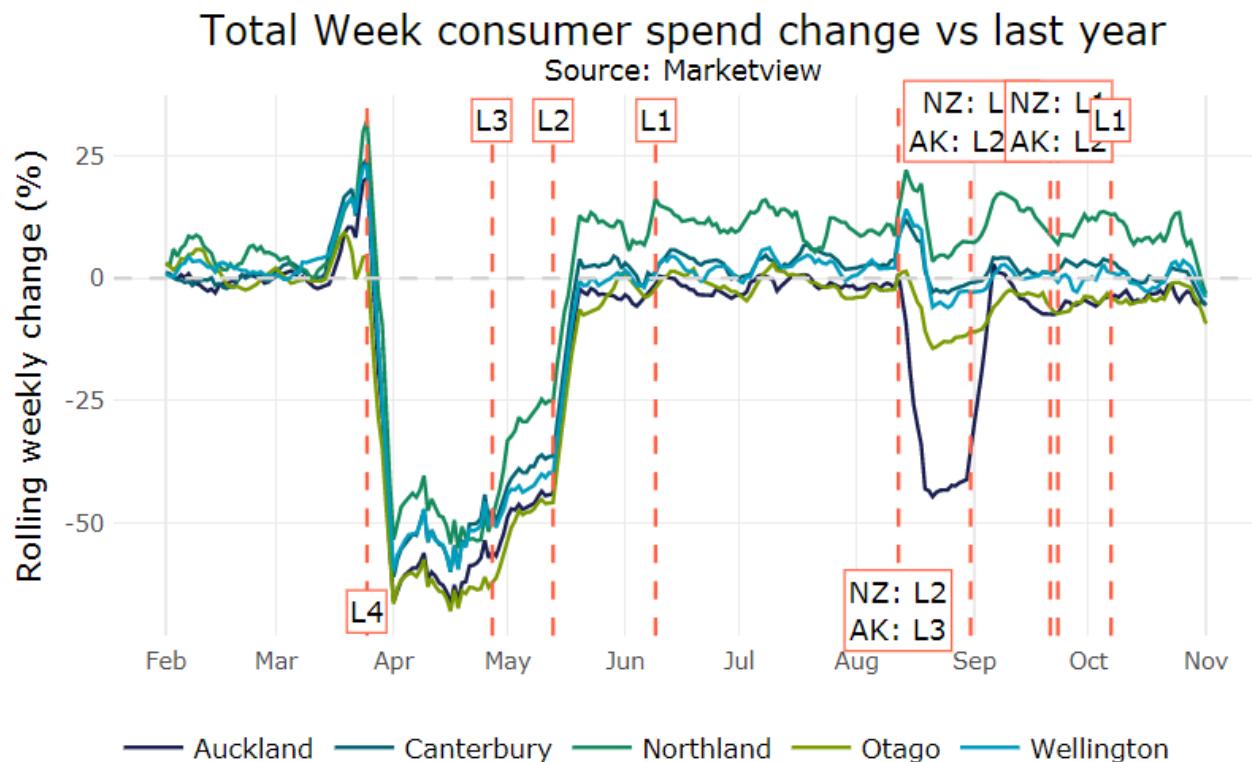


Credit card spending in NZ



Source: RBNZ

“Staycation” is the new trend

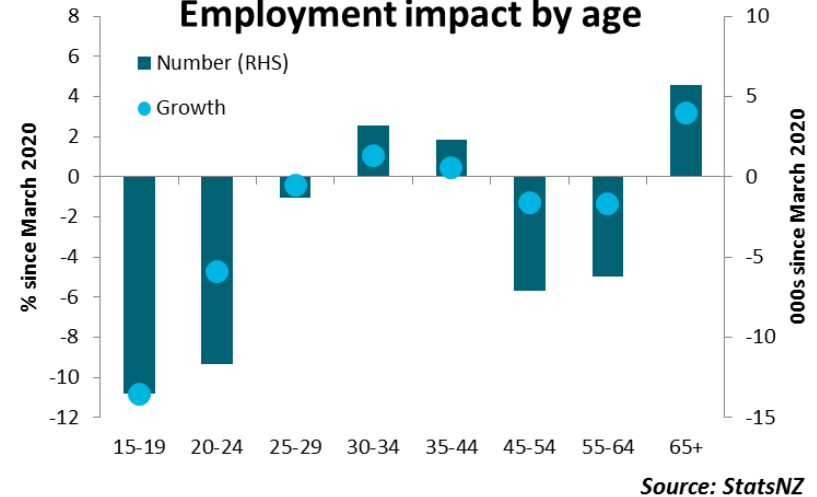


Job losses felt disproportionately

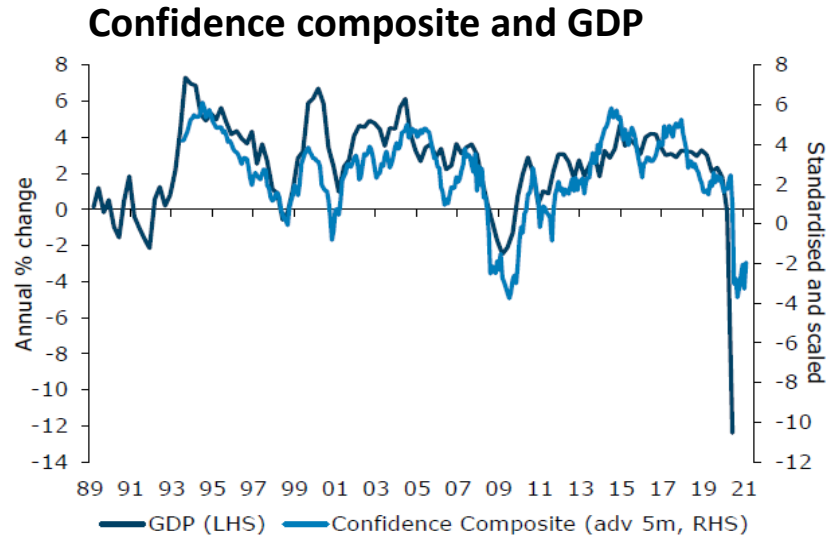
Employment impact by industry



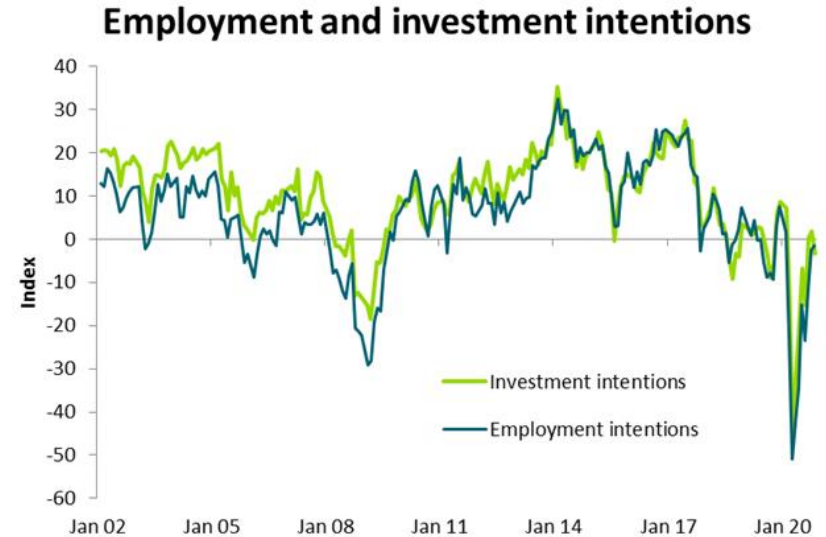
Employment impact by age



Confidence has stabilised

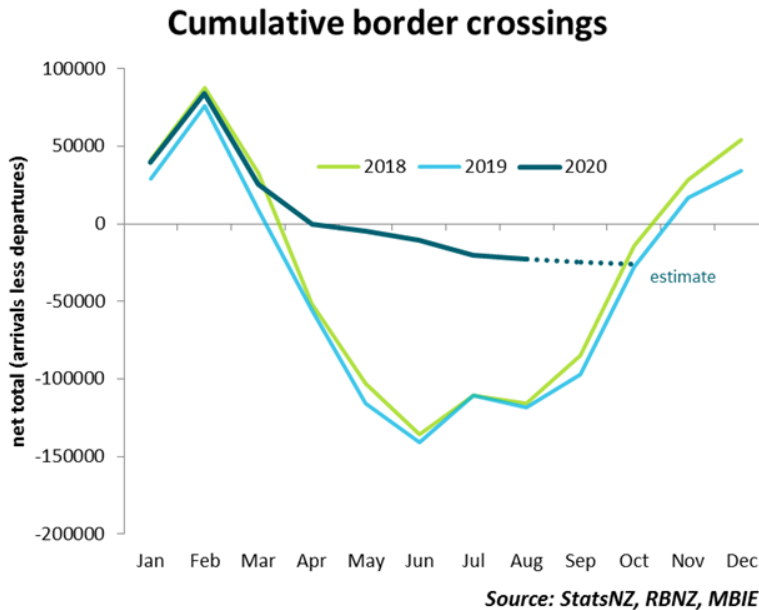
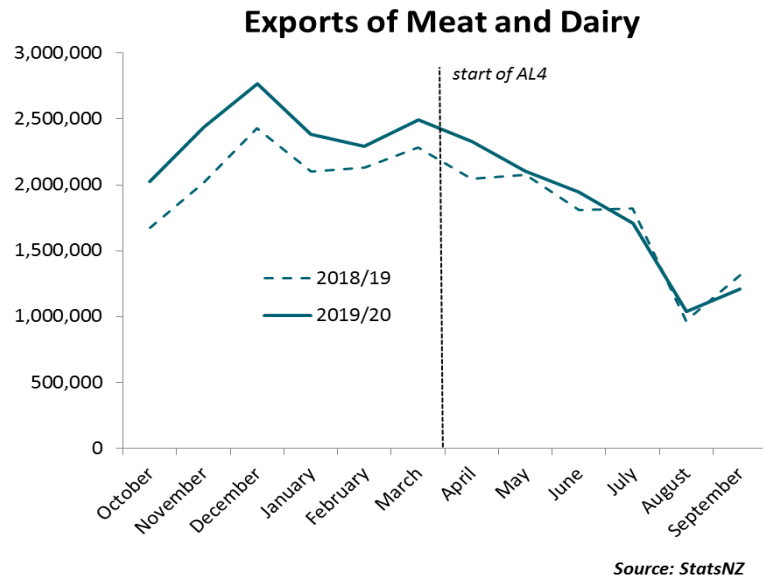


Source: ANZ Research, Roy Morgan, Statistics NZ

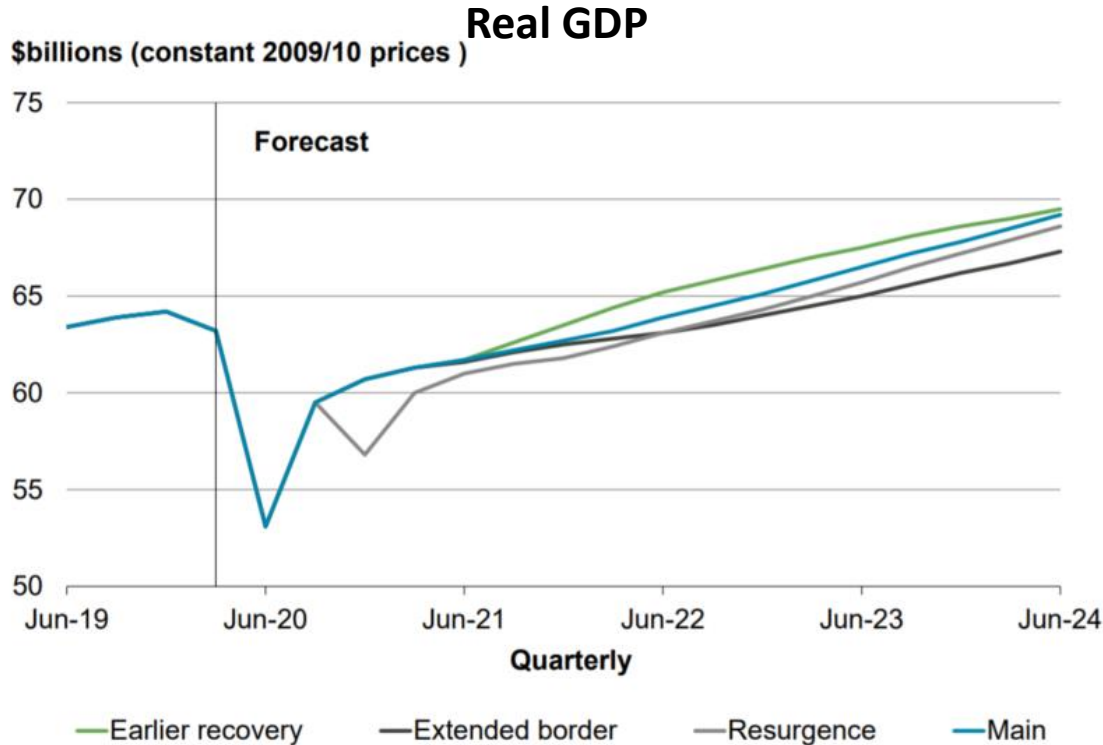


Source: ANZ

Timing will be a headwind



Multiple possible future scenarios - V, U, W, L?



Sources: Stats NZ, the Treasury

COVID-19: a once in a generation opportunity

- Previous economic recoveries such as post-GFC, Asian financial crisis, and early 1990s, have largely focused on getting the economy back to 'normal'.
- This time feels distinctly different – instead of restoring yesterday's economy, there is a ground swell for a recovery that delivers a fundamentally different and better future.
- COVID-19, as deadly as it has been, is proving an unexpected catalyst for change.
- Almost overnight, what was previously seen as impossible was made possible - many of us shifting to remote working, virtual learning and online shopping.
- More importantly though, the crisis has focused our collective attention on the inequalities that exist in the current system – from the type of work we do (high vs low skilled and essential vs non-essential), to our gender and/or ethnicity, access to technology, access to health care etc, the disparities between the have and have nots have been laid bare.
- Together, these factors provide a unique opportunity and more importantly a compelling platform, to kick-start our transformation to a more productive, sustainable and inclusive economy.



Making the most of it

- The challenge for policy-makers is how we make the most of this once in a generation opportunity.
- Our work suggests that we stand the best chance of successfully transforming the New Zealand economy if we focus our policy efforts on:
 1. Leveraging the disruption from COVID-19
 2. Adopting a future-focused approach
 3. Embracing our uniqueness
 4. Incorporating new economic approaches
 5. Rethinking the role of government
 6. Partnering with business

Thank you!

Contact us

Ministry of Business, Innovation & Employment
15 Stout Street, PO Box 1473,
Wellington 6140, New Zealand.
www.mbie.govt.nz



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI