

1 May 2020

Please see below for today's summaries and links to five selected pieces. All have recently been released, one by Stakeholder Strategies and the other four by local and international thought leaders.

The articles focus on the theme 'Who will be impacted by COVID-19, and how?' The theme follows on from last week's theme, "New Zealand's recovery trajectory." If you missed the last edition, you can find it [here](#)

Our report identifies large local industries which are most vulnerable to the coming economic downturn. The report also outlines how low-waged, Māori and Pasifika workers are more likely to be impacted by the resulting unemployment.

The remaining four articles consider the long-term impact of increased public debt, and the impact of the recession on New Zealand sectors and communities of interest.

Stakeholder Strategies: Update on the impacts of a recession in New Zealand

<http://stakeholderstrategies.co.nz/wp-content/uploads/2020/05/COVID-19-NZ-impacts.pdf>

The report outlines our evolving analysis of the impact of the emerging recession on industries, communities and wellbeing indicators in New Zealand.

- New Zealand's main trading partners, China and Australia, have contained the virus, which is a positive sign for exporters. However, exports from February to April are down 6% YOY as of 22 April, with exports to China most affected
- Analysis of the recession's potential impact on New Zealand businesses indicates that many industries are exposed to material downside risk
- Low income households are more exposed to the negative consequences of the virus because low income jobs are more likely to be 'frontline' roles and less likely to roles that can be completed from home
- Māori and Pasifika workers took significantly longer to recover from increased unemployment during the GFC, a phenomenon likely to repeat. [See Joshua Hitchcock's article below for a more in-depth discussion on the impacts of the COVID-19 recession on Māori]
- Key wellbeing indicators across social and economic domains are likely to be adversely impacted by the pandemic and recession

The Economist: The pandemic will leave the rich world deep in debt, and force some hard choices
(free to access but requires log-in)

<https://www.economist.com/briefing/2020/04/23/the-pandemic-will-leave-the-rich-world-deep-in-debt-and-force-some-hard-choices>

The Economist outlines governments' choices in repaying debt borrowed to fight COVID-19, and the ramifications and risks of each of three repayment approaches.

- Governments are accumulating large amounts of debt in the response to COVID-19, with advanced economies forecast to run an 11% deficit this year, and developed world public debt to reach 122% of GDP by the end of the year
- The article argues that governments can follow three strategies to pay off debt:
 - Increasing tax and cutting spending, which is limited by being politically unpopular

- The governments of emerging countries may be forced to default on loans, but default is unlikely to occur in the developed world
- Growing out of debt is likely to be the preferred strategy for developed economies and requires that governments ensure real economic growth and inflation rates stay above the interest rate they are paying on debt

KiwiBlog: Andrew Bayly on the economic impact of Covid-19

https://www.kiwiblog.co.nz/2020/04/andrew_bayly_on_the_economic_impact_of_covid-19.html

New Zealand National Party Member of Parliament, Andrew Bayly, gives his personal thoughts on the economic impacts of COVID-19

- The business landscape will fall into four groups; resilient, strongly positioned, companies that will take a hit but recover quickly, and businesses that will have to go through a painful resizing
- Unemployment will exceed 10%, and will be concentrated among people who are new to the workforce, least skilled, or most expensive (e.g. pilots)
- Two key measures could save the New Zealand tourism industry: advocating for New Zealanders to travel locally, and reorienting destinations as such; and opening the border with Australia as soon as is feasible, with extensive testing before and upon travel
- Additional recommendations include banks urgently to provide working capital; improved investment in telecommunications and fibre; no tax cuts, as they would help only those who are working.

University of Auckland Business School: What type of business will survive Covid-19?

<https://www.auckland.ac.nz/en/news/2020/03/25/what-type-business-will-survive-covid.html>

Dr Mike Lee, Senior Lecturer of Marketing at the University of Auckland Business School, defines a 2 x 2 matrix of companies that will 'dive, survive and thrive' through COVID-19. The article was written in late March but remains relevant

- Lee uses two factors to categorise which businesses will be most challenged during public health restrictions on movement. The factors are time dependence (whether transactions and service provision need to occur in real time); and location dependence (whether businesses and customers need to operate in a specific place)
 - Businesses that are highly location and time dependent, such as tourism and concerts, are likely to struggle
 - Those that are fixed in one factor but free in the other are likely to survive, such as self-serve service centres (location dependent, time independent) and online counselling (time dependent, location independent)
 - Businesses that will thrive include streaming services and online retail, because they can be time and location independent
- To improve their prospects, businesses should consider what aspects of their products and services can be made less time or location dependent, and which of those is the path of least resistance, if achieving both is too challenging.

Joshua Hitchcock/The Spinoff: The effects of the Covid-19 recession will hit Māori hardest

<https://thespinoff.co.nz/atea/08-04-2020/the-effects-of-the-covid-19-recession-will-hit-maori-hardest/>

Hitchcock discusses the factors that play into Māori communities' increased vulnerability to the post-COVID-19 recession

- Māori have consistently experienced higher unemployment, with pre-GFC unemployment at 7%, 2 points higher than the Pākehā peak of 5%. Hitchcock questions why the government has accepted a high level of Māori unemployment for so long when it is now taking such aggressive measures to prevent similar levels in the wider population
- Māori entities hire many Māori and have concentrated their investments in the tourism, forestry and fishery industries. Because these industries have all been heavily impacted by COVID-19, Māori communities are more exposed to job losses as a result of the lockdown and recession
- Even in an optimistic scenario of 10% unemployment nationally, Hitchcock projects Māori unemployment is likely to exceed 25%.

Our other research summaries and reports can be found [here](#).