

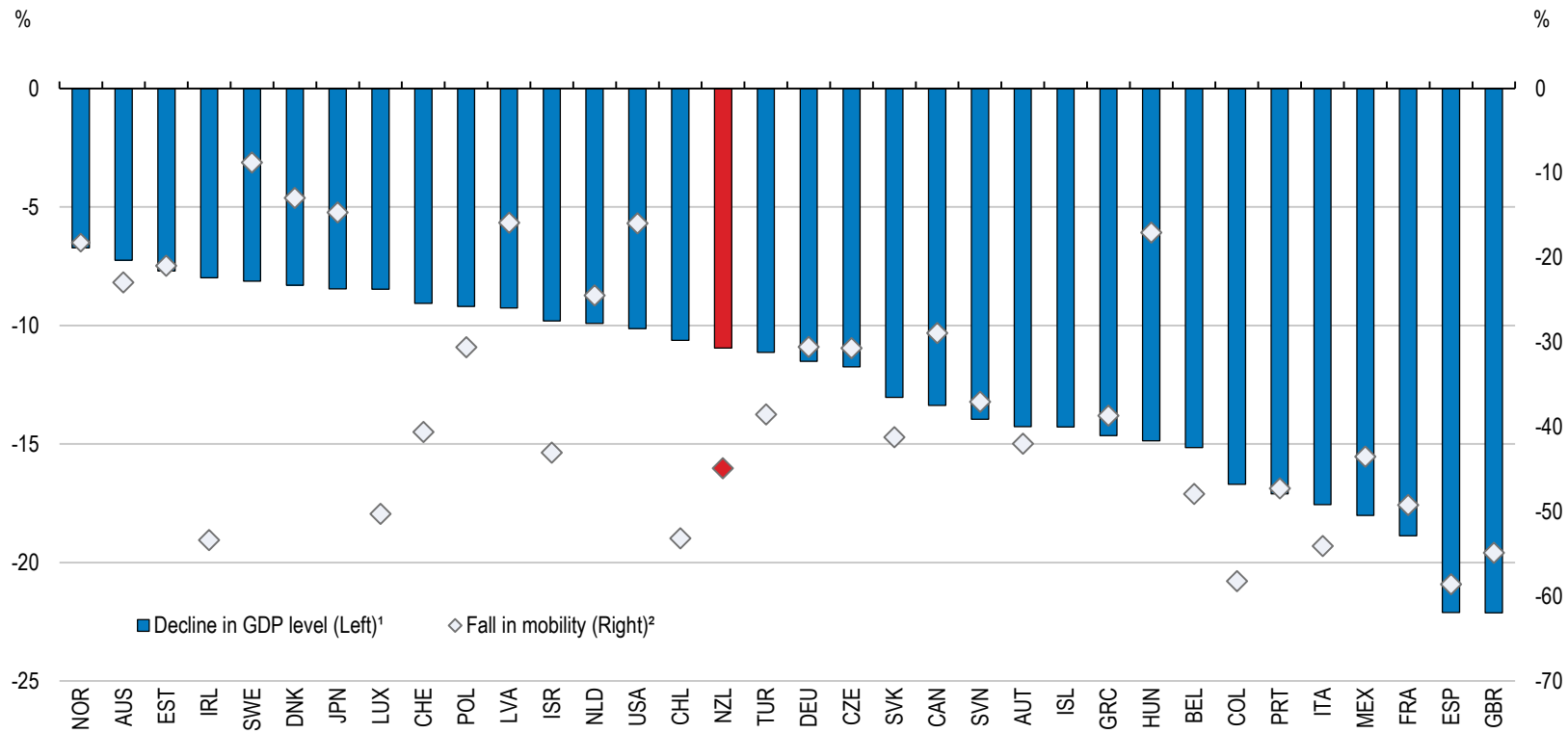


REBUILDING NATIONS SYMPOSIUM 2020

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NZ's fall in GDP in 2020 H1 was middle of the OECD range, despite a large fall in mobility



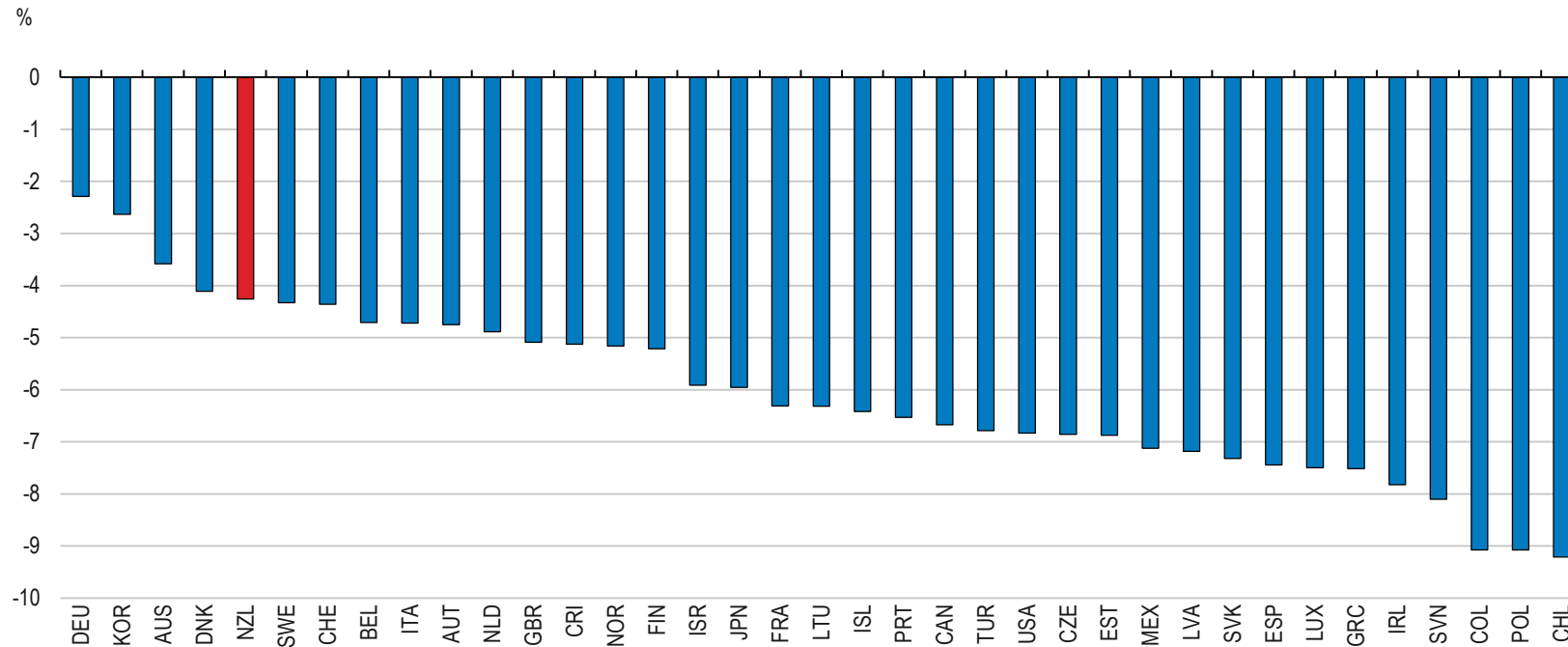
Note: 1. Values refer to % difference between 2019Q4 and 2020Q2 GDP levels. 2. Data refer to the fall in mobility from the baseline between 1st of March and 27th of June.

Source: OECD National Accounts database.



NZ's projected shortfall in 2021 Q4 GDP from pre-COVID-19 projections is moderate

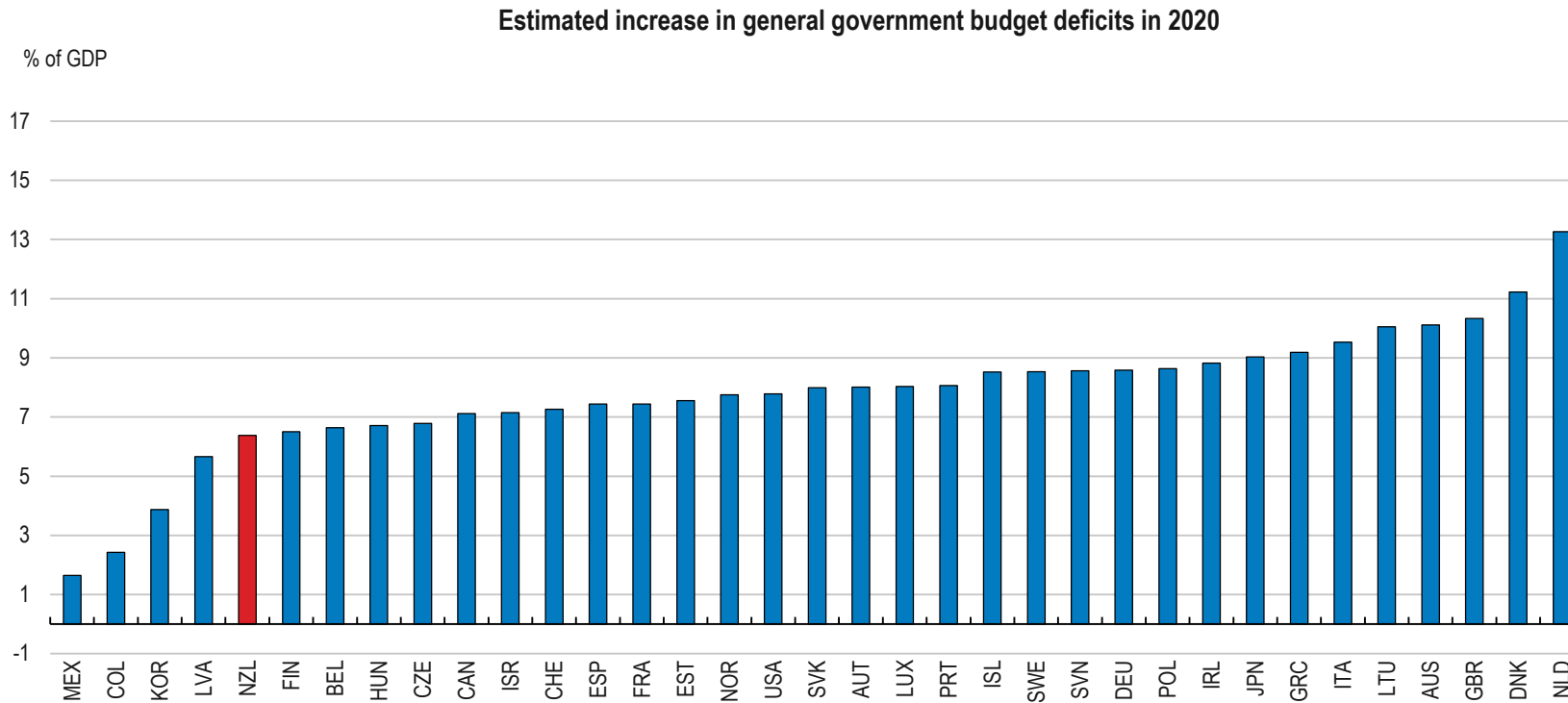
The shortfall in 2021 Q4 GDP relative to pre-COVID-19 projections is smaller than in most other OECD countries



Source: OECD Economic Outlook 106; OECD Economic Outlook 107 Single-hit Scenario database.



COVID-19 has resulted in large increases in budget deficits

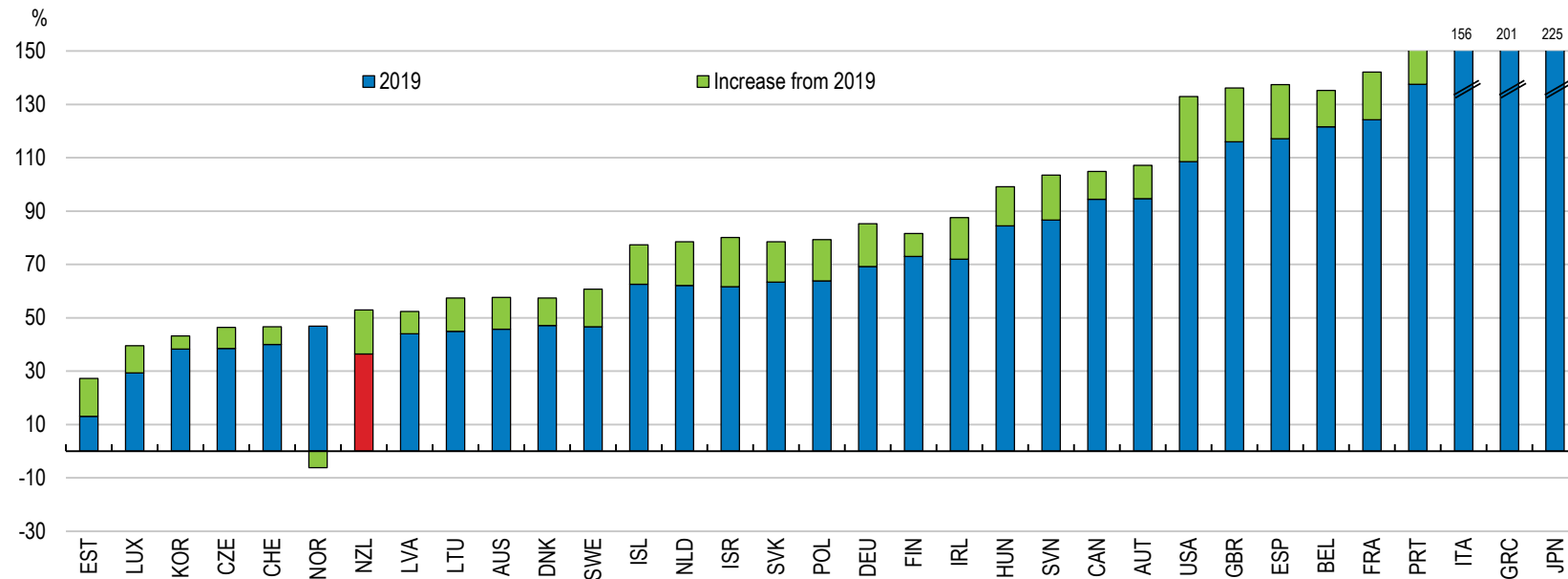


Source: OECD Economic Outlook 107 Single-hit Scenario database.



Government debt is increasing considerably in NZ from a low starting point

Projected gross general government debt, 2021



Source: OECD Economic Outlook 107 Single-hit Scenario database.

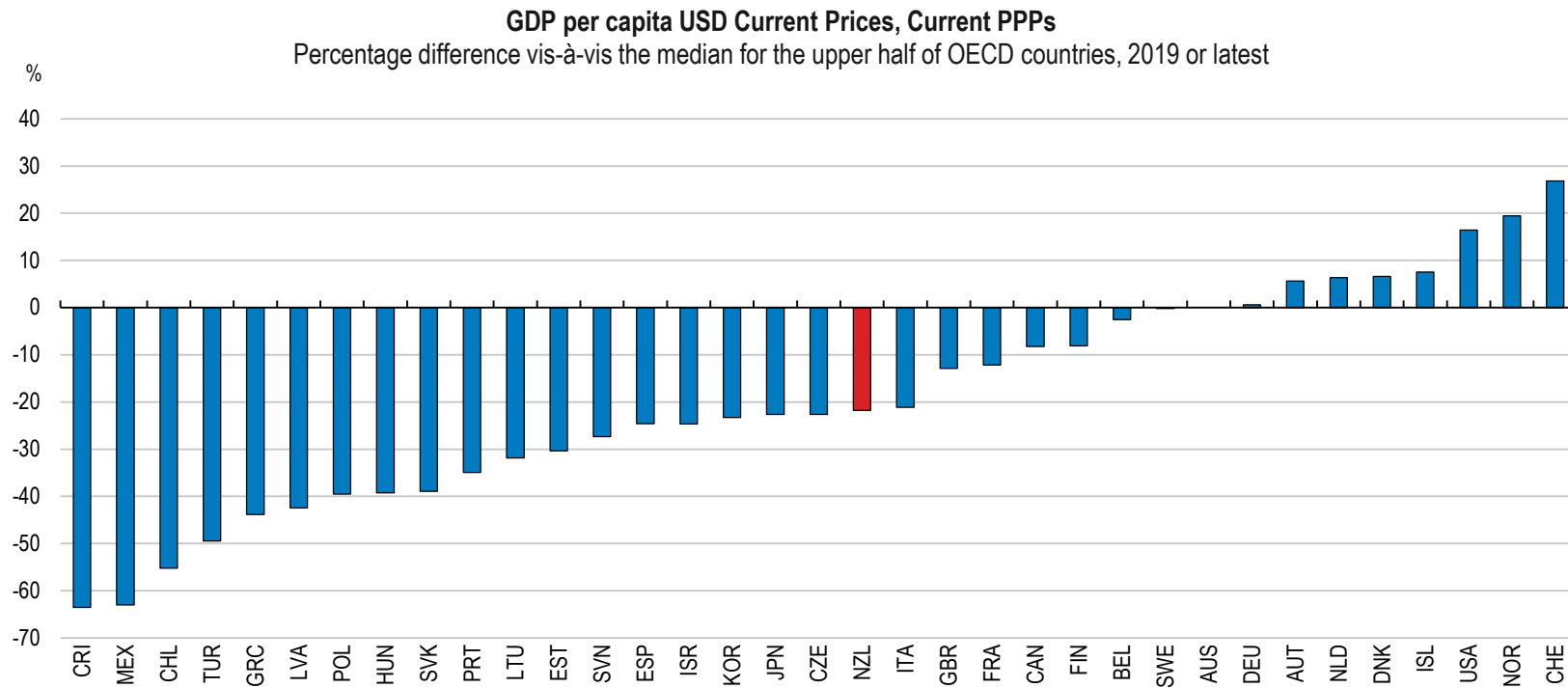
- *Government support is vital for helping households and small businesses traverse the crisis but will need to be phased down to keep government debt manageable and to allow resources to flow out of activities that are not viable.*



Increasing productivity



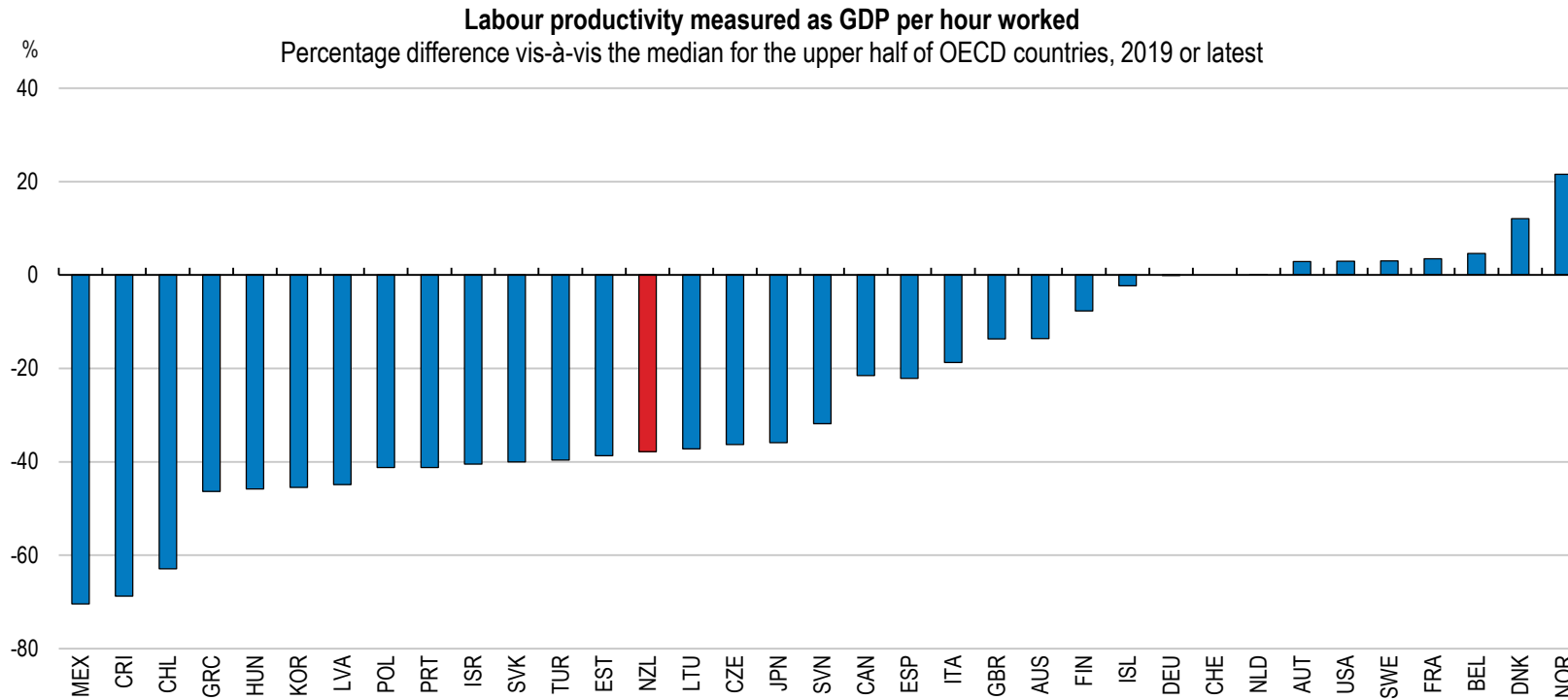
GDP per capita in NZ is well below the levels in leading OECD countries



Source: OECD Productivity database.



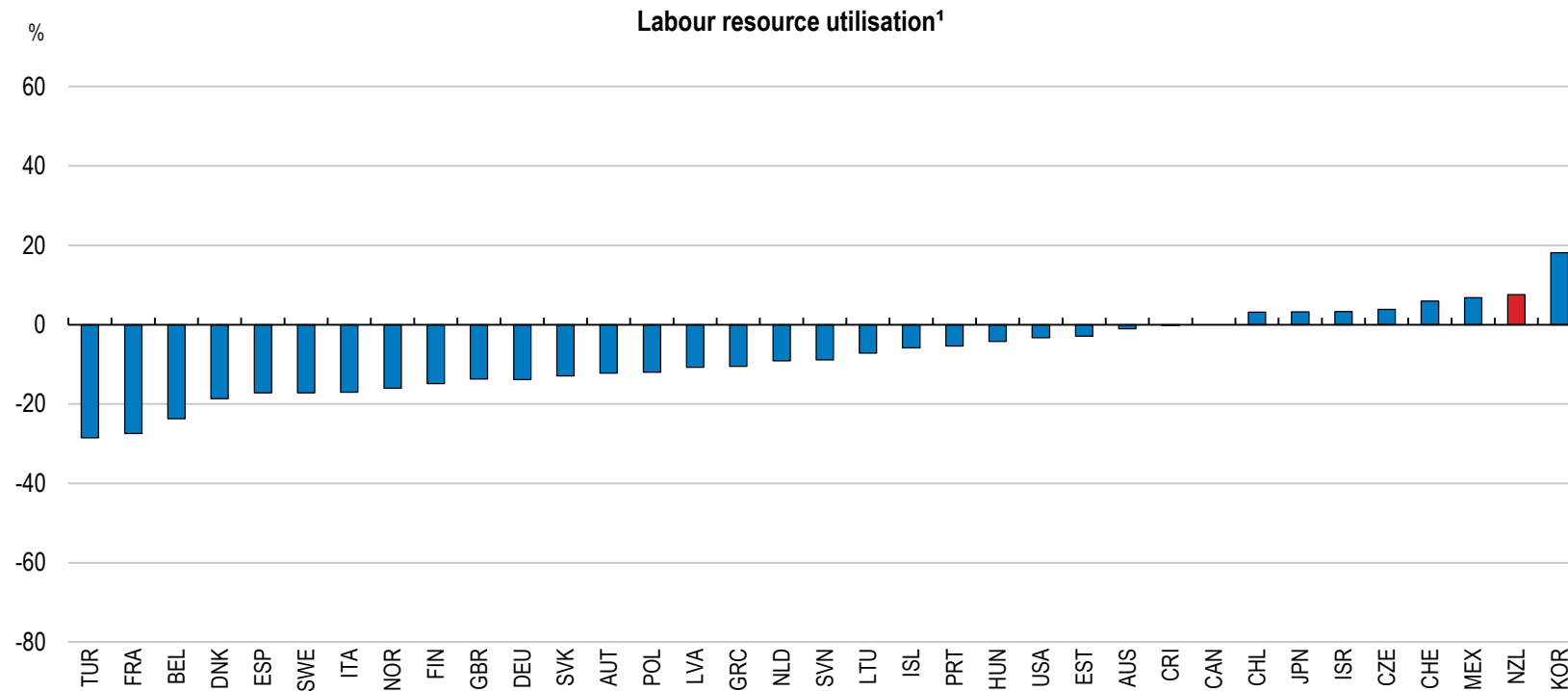
NZ's labour productivity is low



Source: OECD Productivity database.



Labour resource utilisation is high

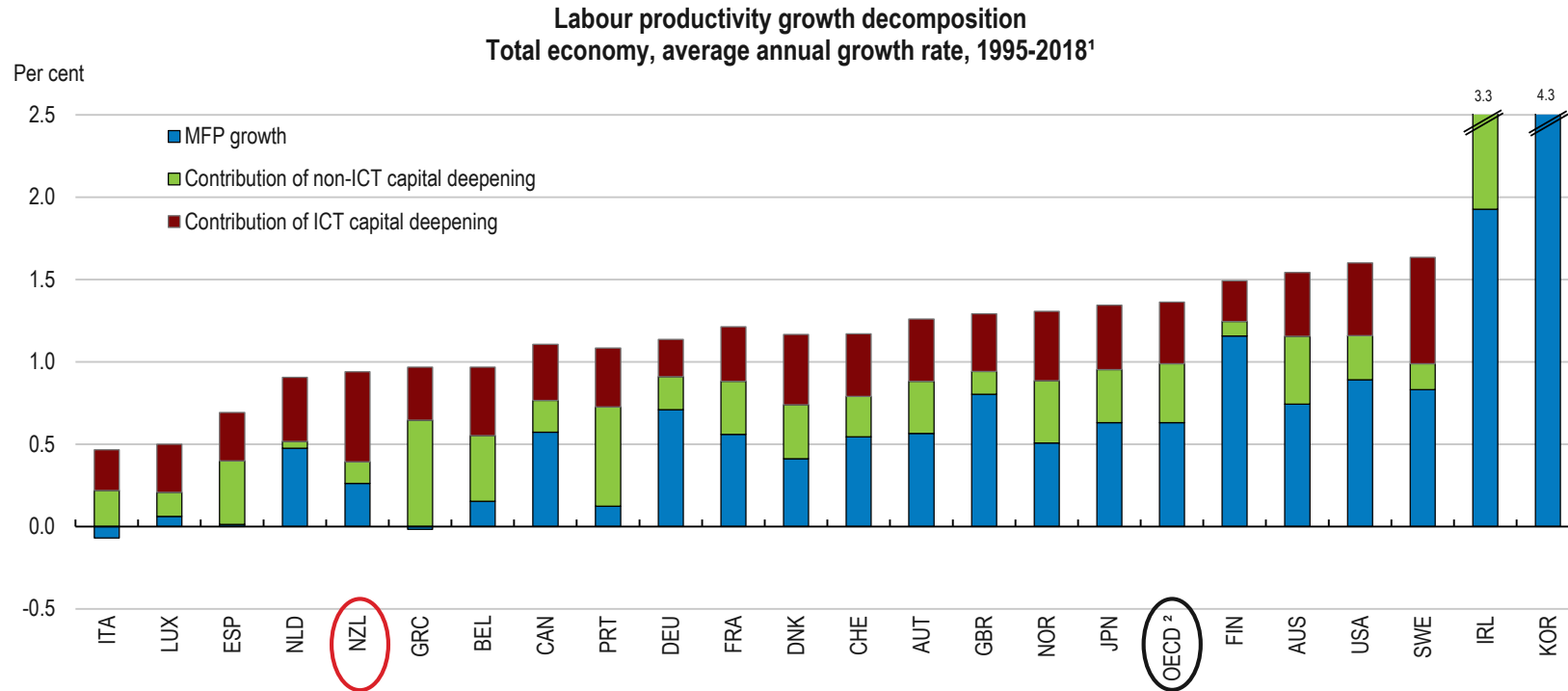


Note: 1. Labour resource utilisation is the total number of hours worked per capita.

Source: OECD Productivity database.



NZ's labour productivity growth rate has been low



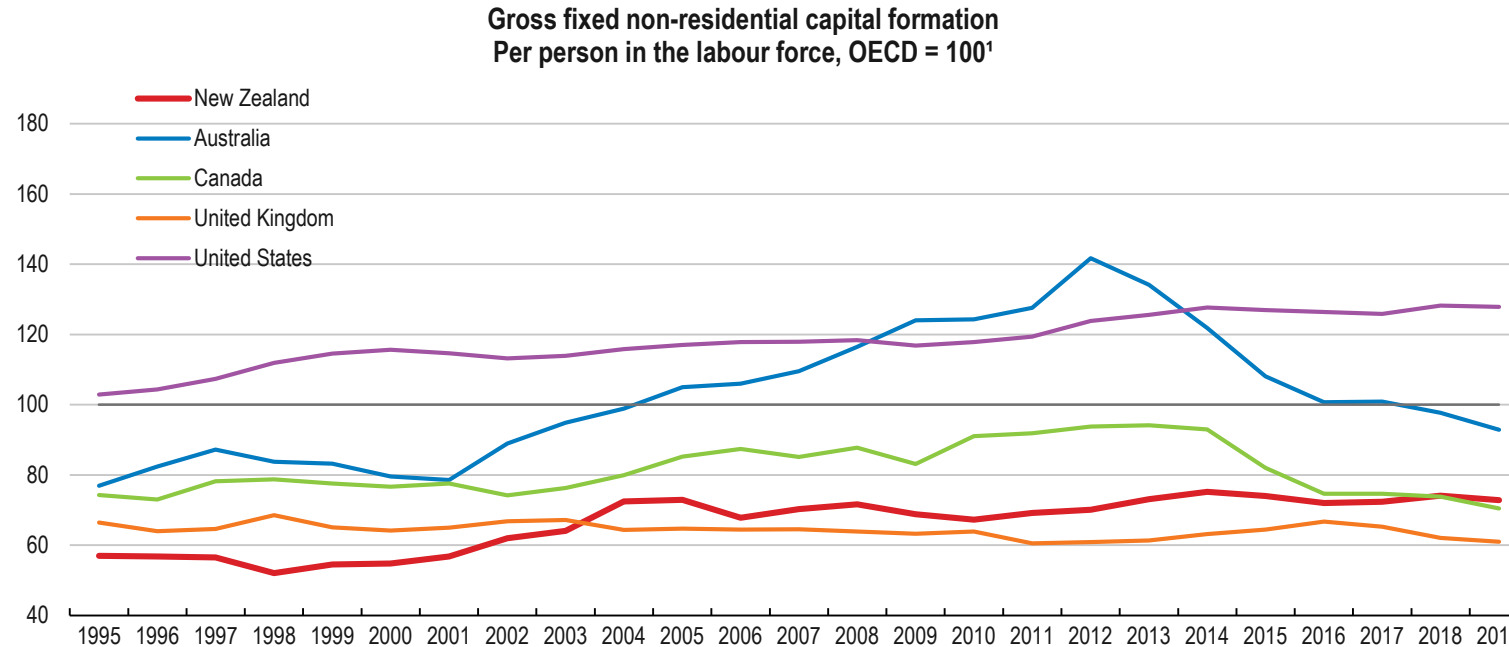
Note: 1. 1996-2018 for Austria and Luxembourg; 1995-2017 for Greece, Portugal, and Norway. 2. Value for OECD refer to the average of the 23 countries for which data are available.

Source: OECD Productivity database.

- *The contribution of non-ICT capital deepening and multifactor productivity (MFP) growth have been low.*



Gross fixed non-residential capital formation has been low in NZ



Note: 1. Data for gross non-residential capital formation are in current prices and were converted into a common currency using 2010 purchasing power parity exchange rates. The labour force includes only people aged 15-64. Data for the OECD exclude Chile, Colombia, Costa Rica, the Czech Republic, Estonia, Greece, Hungary, Iceland, Israel, Latvia, Lithuania, Luxembourg, Mexico, Norway, the Slovak Republic, Slovenia and Turkey.

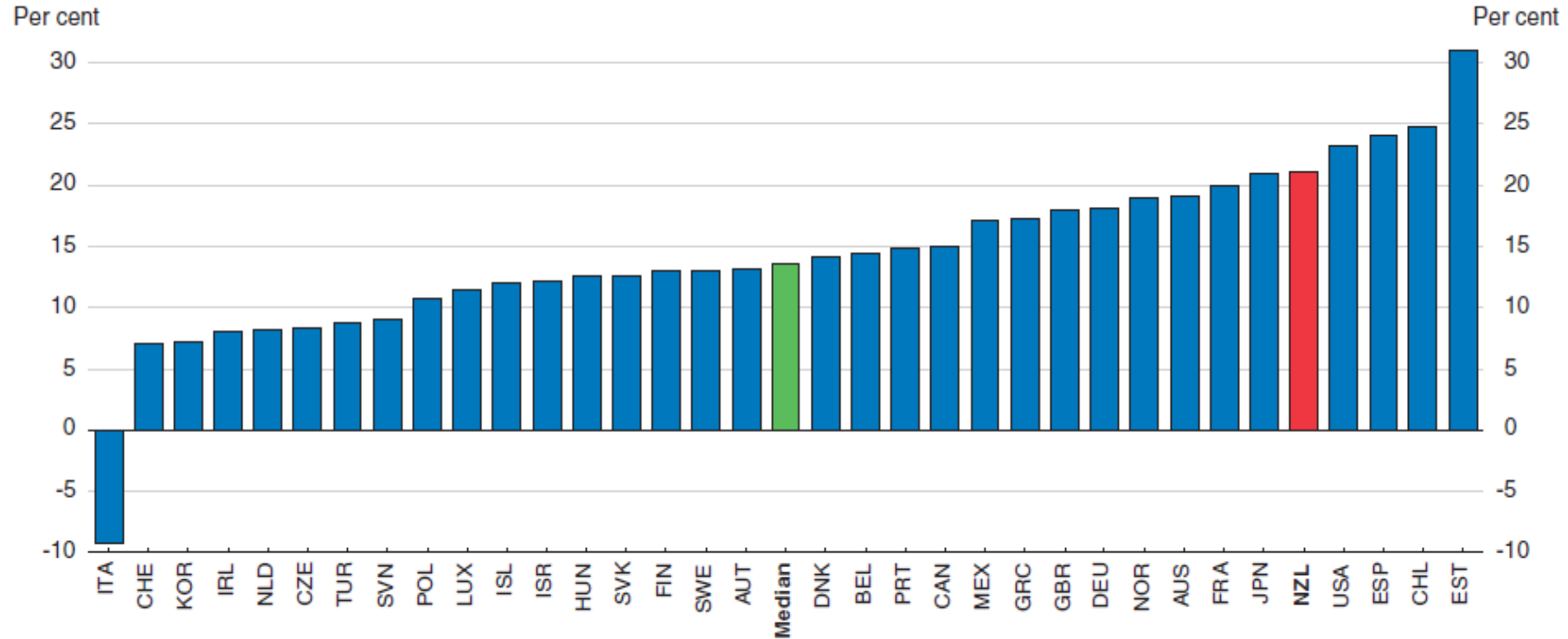
Source: OECD National Accounts database; OECD Labour Force Statistics database.

- *High cost of capital contributes to low investment – national saving less than investment*
- *NZ has thin venture capital, stock and bond markets*



The effective marginal corporate tax rate is high

B. Effective marginal corporate tax rates¹

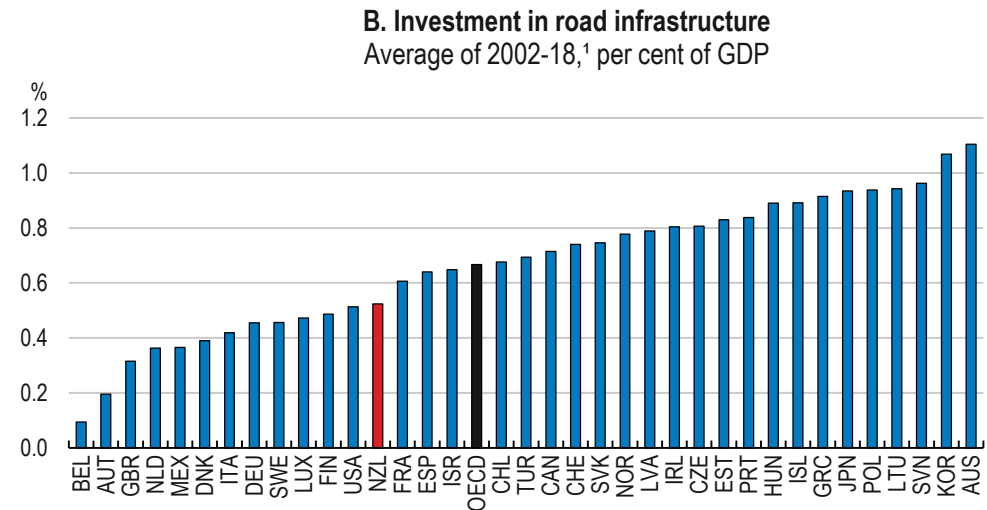
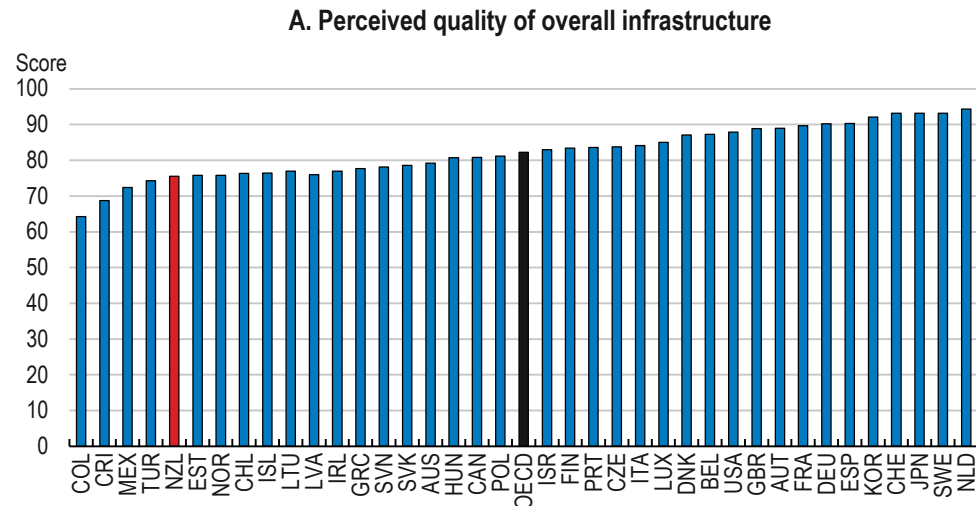


1. The effective marginal corporate tax rate is the percentage increase in the cost of capital of a marginal investment – that is, an investment that pays just enough to make the investment worthwhile – as a result of the corporate income tax rate and tax base.

Source: OECD, Tax Database; Oxford University Centre for Business Taxation, CBT tax database.



Infrastructure provision and quality in NZ are low



Note: Panel A. Index is presented on a 0 - 100 scale following normalization and is composed of the following sub-components 2.01 Road connectivity; 2.02 Quality of road infrastructure; 2.03 Railroad density km/1,000 km; 2.04 Efficiency of train services; 2.05 Airport connectivity score; 2.06 Efficiency of air transport services; 2.07 Liner shipping connectivity; 2.08 Efficiency of seaport services; 2.09 Electricity access % of population; 2.10 Electricity supply quality % of output; 2.11 Exposure to unsafe drinking water % of population; 2.12 Reliability of water supply. Value for OECD is a simple average of 38 OECD member countries. Panel B. 1. Or of the last year available. OECD refers to the simple average of available countries.

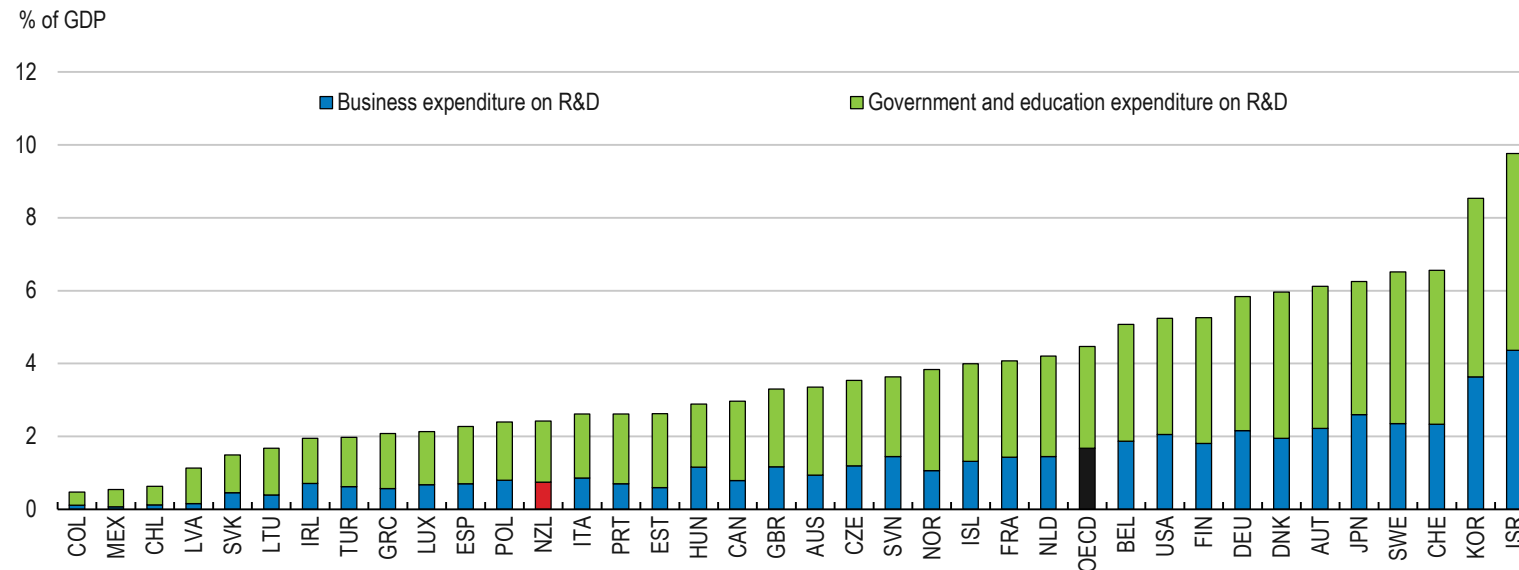
Source: World Economic Forum, The Global Competitiveness Report (2019). OECD, International Transport Forum database.

- *Implement infrastructure demand management strategies to reduce urban congestion – congestion charging*
- *Diversify revenue sources for infrastructure financing*



Expenditure on R&D is low

Expenditure on research and development
As a percentage of GDP, 2018 or latest year available¹

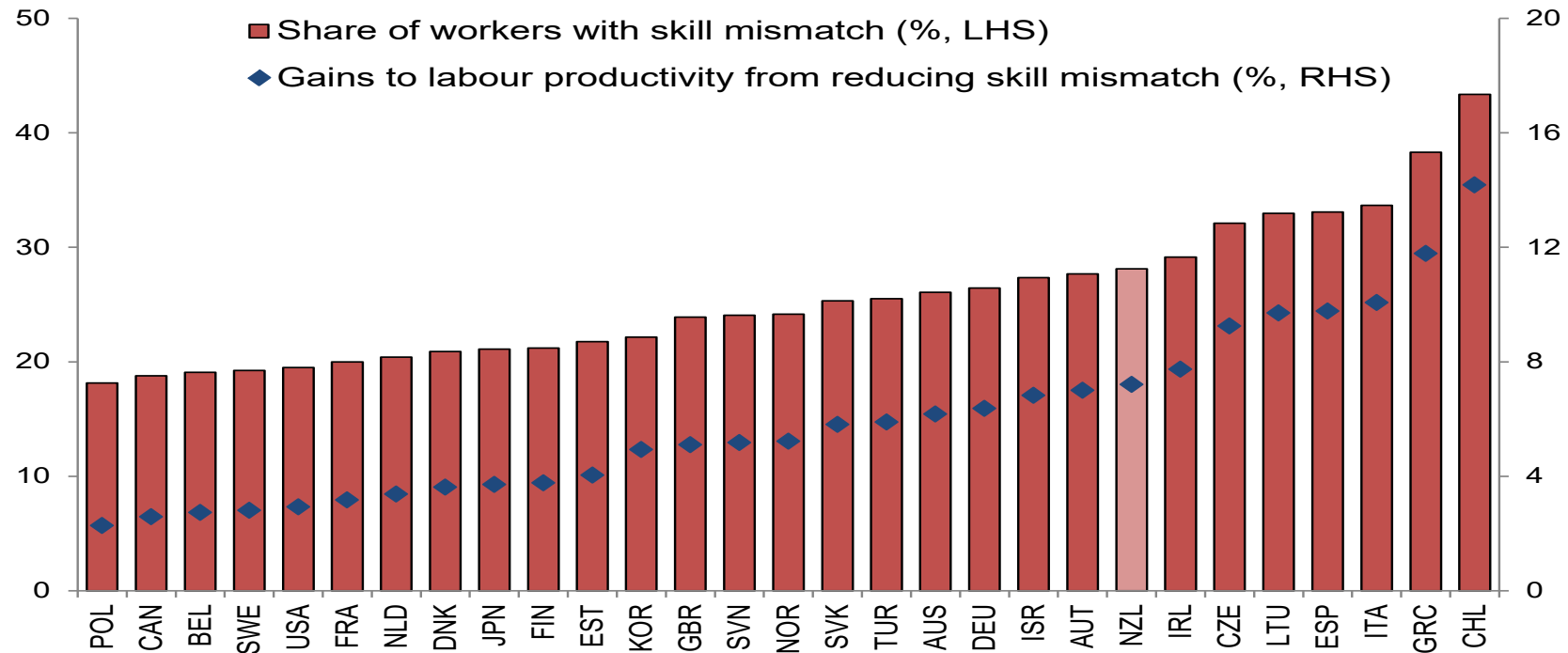


Note: 1. Data for New Zealand refer to 2017.
Source: Main Science and Technology Indicators database.

- *Increase fiscal support for business R&D.*
- *Maintain or increase long-term support for successful collaboration between research institutions and industry.*



Productivity could be increased by reducing skills mismatches



1. Including debt on rental properties.

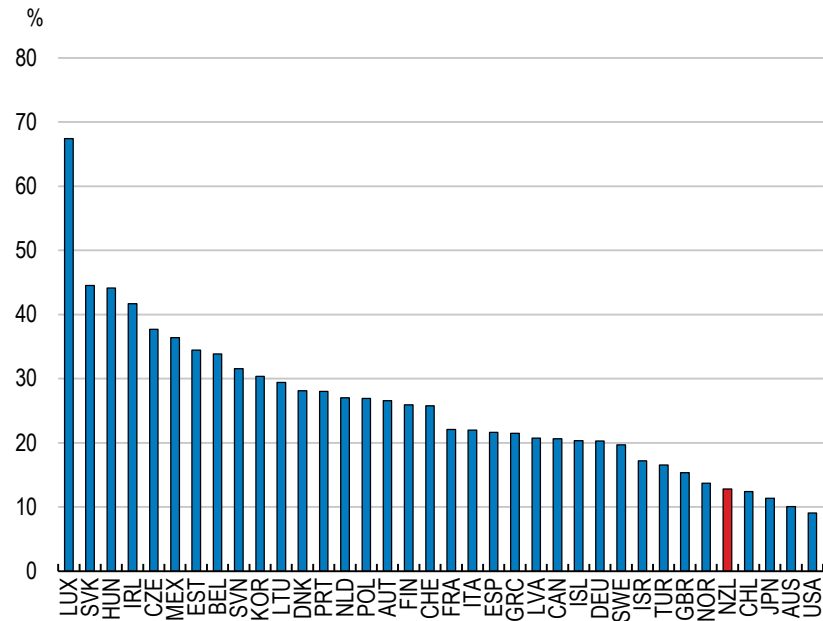
Source: OECD, National Accounts – Financial Dashboard Database.

- *Ease housing supply restrictions – inadequate infrastructure and urban planning laws - to improve the allocation of workers to jobs.*

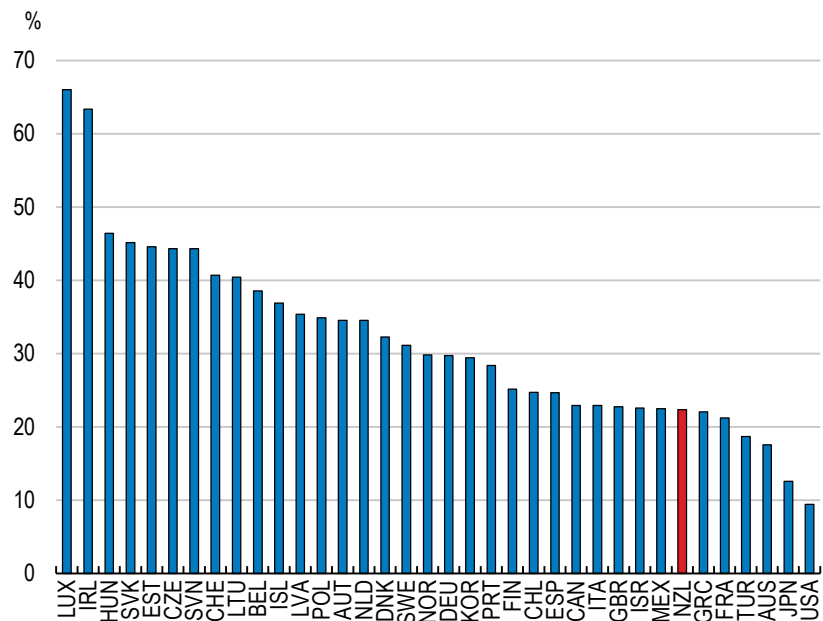


NZ is weakly integrated into global value chains

A. Foreign value added share of gross exports, 2016



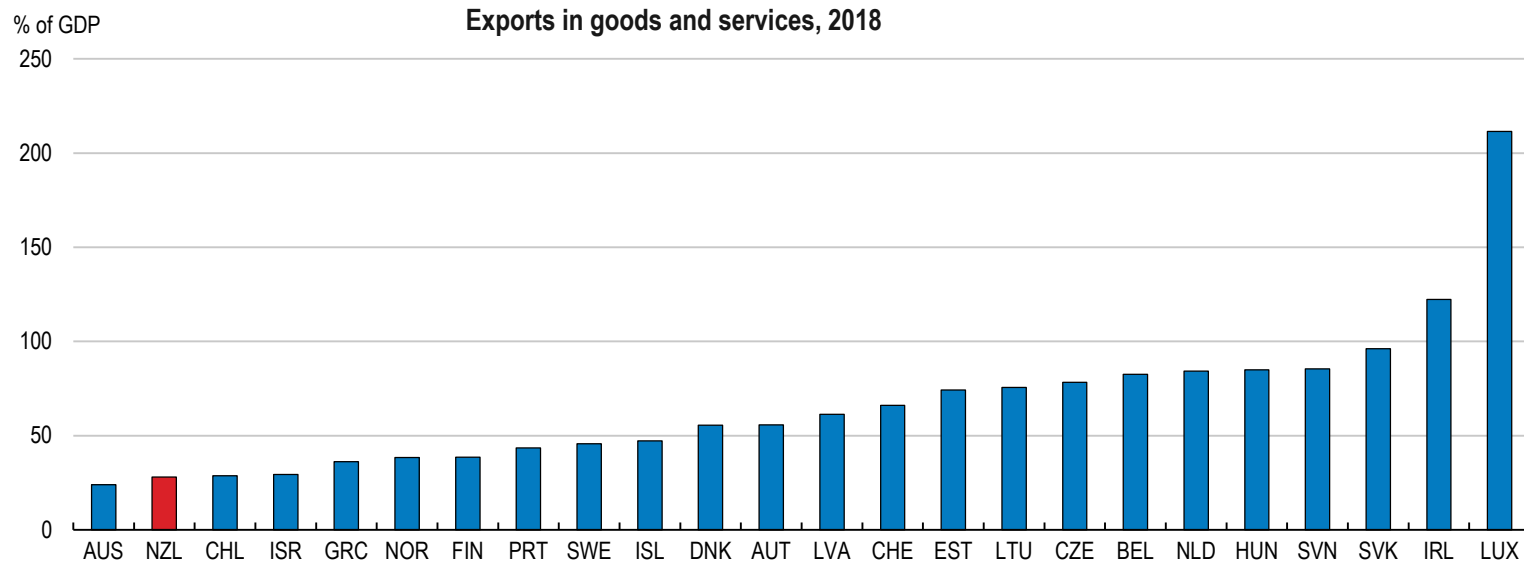
B. Share of domestic value added embodied in foreign final demand, 2016



Source: OECD Trade in Value Added database.



Export intensity is low for a small country



Note: Data are presented for OECD countries with population less than 30 million.

Source: OECD National Accounts database;

- *Weak international connectedness reduces NZ's ability to benefit from global frontier innovation.*
- *To increase FDI, narrow screening, reduce compliance costs and boost predictability for investors*



Construction and finance sectors contribute most to the labour productivity gap with Australia

Industry composition of market sector productivity differences		
Industry	Within-industry productivity ¹	Industry structure ²
<i>Total market industries</i>	67.2	32.8
Financial and insurance services	25.2	5.6
Mining	12.8	18.9
Construction	33.4	4.8
Wholesale trade	2.7	-1.1
Agriculture, forestry and fishing	3.6	-4.9
Transport, postal and warehousing	8.5	3.4
Retail trade	3.4	0.5
Manufacturing	4.4	-5.3
Accommodation and food services	0.4	0.6
Arts and recreation services	-0.1	0.3
Administrative and support services	-0.5	-1.7
Other services	-0.4	1.0
Information media and telecommunications	-0.9	0.9
Professional, scientific and technical services	-10.7	2.5
Electricity, gas, water and waste services	-7.9	6.8
Rental, hiring and real estate services	-6.6	0.5

Note: 1. Share of market sector labour productivity gap between New Zealand and Australia attributed to labour productivity differences within each industry classification (negative values reflect higher labour productivity in New Zealand). 2. Share of market-sector labour productivity gap between New Zealand and Australia attributed to differences in industry shares of employment.

Source: See table 1.1. of the New Zealand Economic Survey of 2017 https://doi.org/10.1787/eco_surveys-nzl-2017-en .

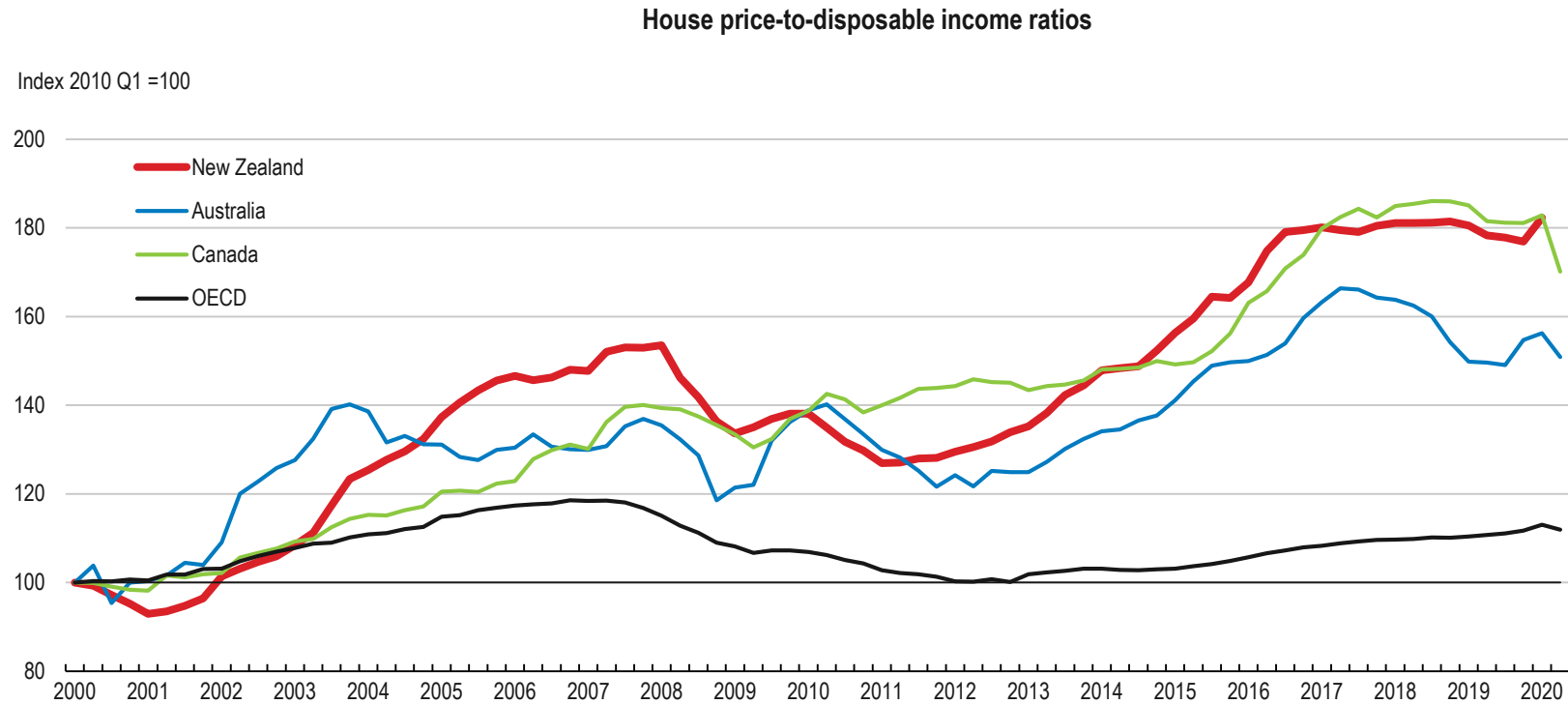
- *Conduct a Commerce Commission market study on the construction industry and extend suspension of anti-dumping actions on residential building materials*



Improving housing outcomes



House prices have soared relative to incomes

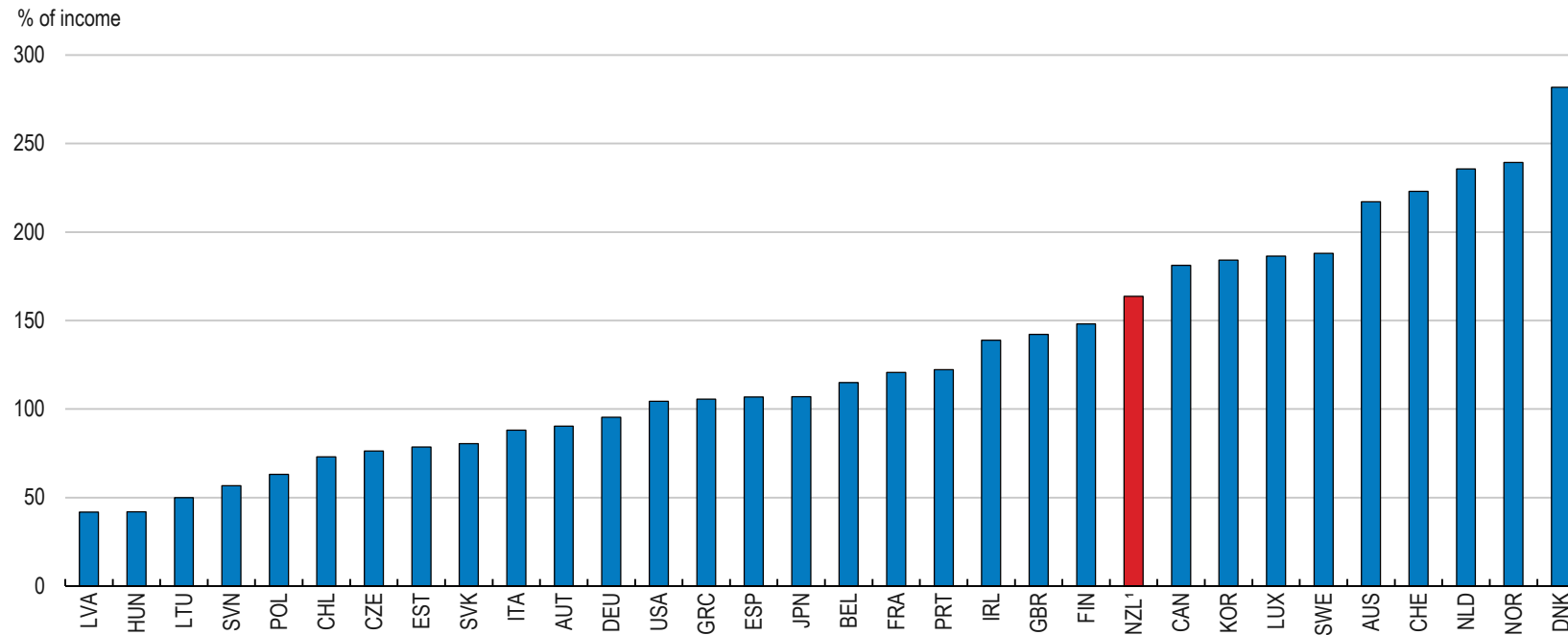


Source: OECD Housing Prices database.



Household indebtedness is high

Household debt as a percentage of net disposable income, 2020 H1

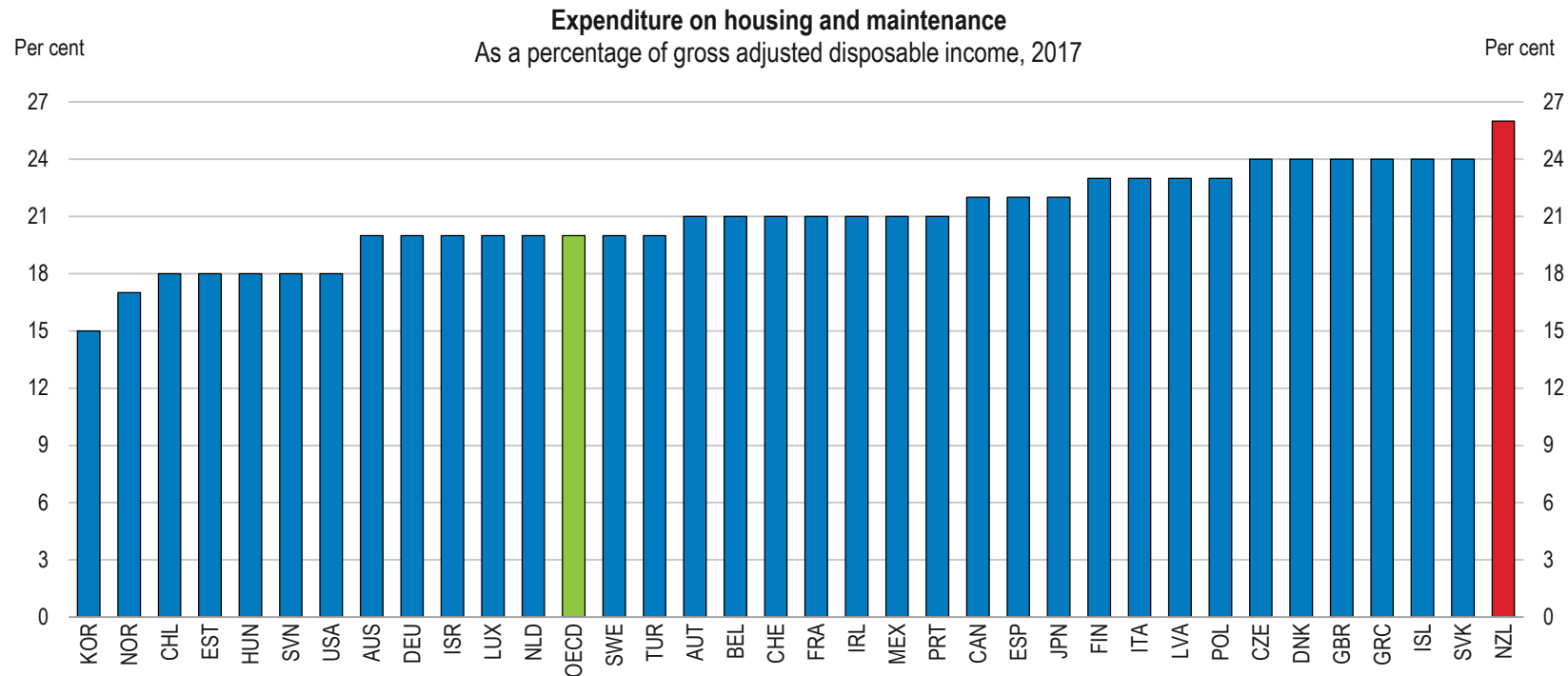


Note: 1. Reserve Bank of New Zealand data (2020), including debt on rental properties - data refer to first half of 2020. Data for Canada, Czech Republic, Finland, Italy, Netherlands, Portugal, Slovak Republic, Sweden refer to 2019. Data for the rest of the countries refer to 2018.

Source: OECD National Accounts at Glance database; Reserve Bank of New Zealand data.



Expenditure on housing is very high



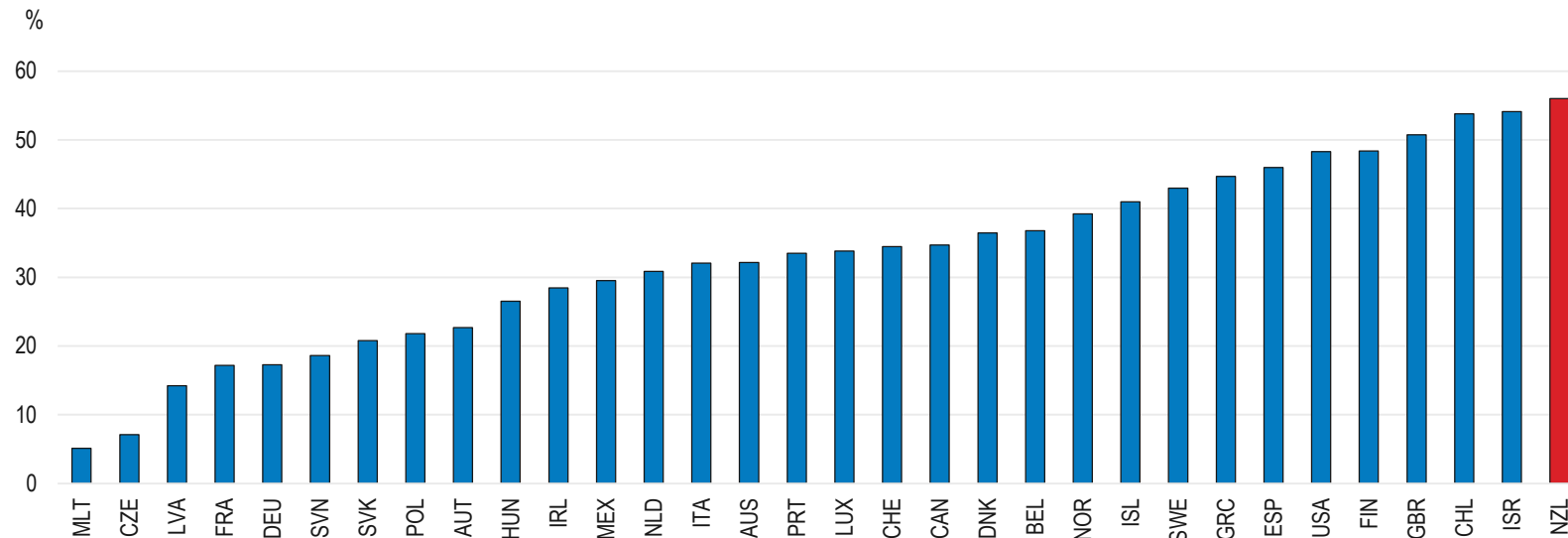
Note: Includes actual and imputed rents for housing, expenditure on furnishings and equipment, maintenance and repair of the dwelling. Imputed rents are likely to be biased upward for New Zealand because rental properties used as a proxy are not stratified by location, giving a higher weight to Auckland where rental properties are both more common and more expensive.

Source: OECD, *Better Life Index - Edition 2017 database.*



Most low-income renters pay a high share of their income in rent

Share of population in the bottom quintile spending more than 40% of income on rent
2018 or latest available



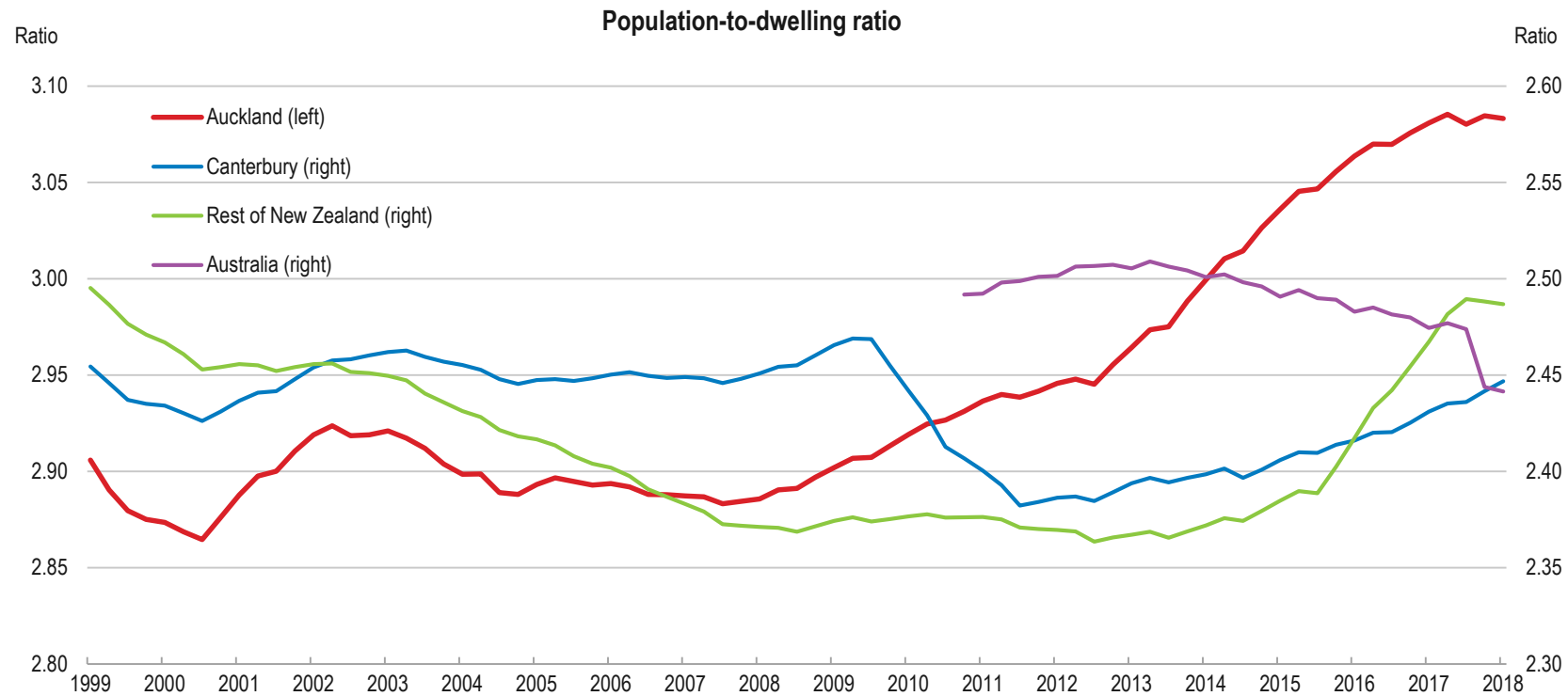
Note: In Chile, Mexico, New Zealand, Korea and the United States, gross income instead of disposable income is used due to data limitations.

Note: 1. In Chile, Mexico, Korea and the United States gross income instead of disposable income is used due to data limitations. No data on mortgage principal repayments available for Denmark due to data limitations.

Source: OECD, Housing Affordability database.



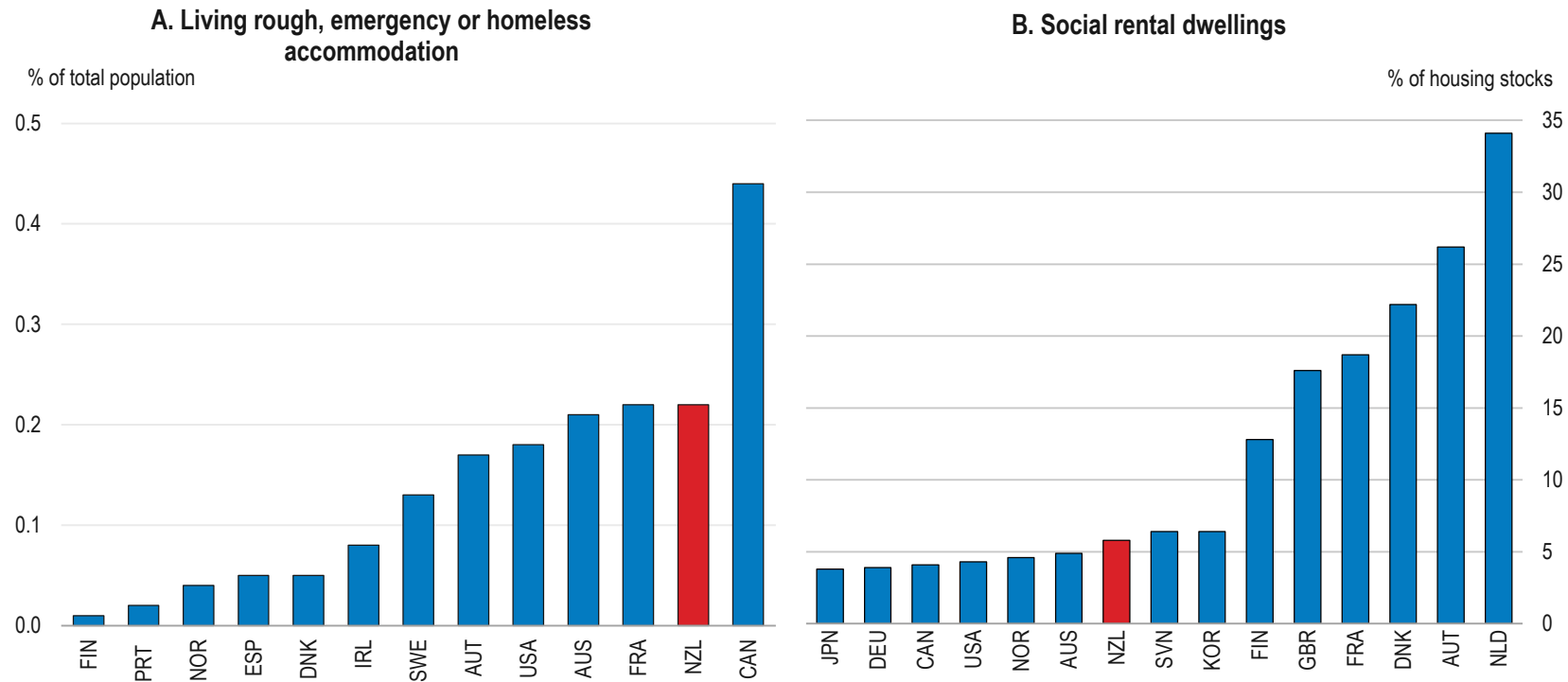
New housing supply has failed to expand to meet demand



Source: Australian Bureau of Statistics; Reserve Bank of New Zealand (2015), *Financial Stability Report*, May, Figure 4.3 updated.



Homelessness is high and social housing stocks are low



Note: Definitions of homelessness and the methodology for measuring it vary by country. New Zealand's numbers are based on the census, whereas many other countries use surveys of relevant social support agencies, which are less likely to identify homeless people. Data in Panel A exclude people living in institutions, in non-conventional dwellings or temporarily sharing with another household due to lack of suitable alternatives, which are included in the total homeless population for some countries. New Zealand has a relatively large proportion of people temporarily sharing with another household, but in part this reflects the census approach and a broader definition to that used in other countries. For example, Australia applies stricter rent and income thresholds for those sharing temporarily to be considered homeless. For details, see <https://www.oecd.org/els/family/HC3-1-Homeless-population.pdf>.

Source: OECD, Affordable Housing database, <http://www.oecd.org/social/affordable-housing-database.htm> and national sources underlying the database.



Recommendations to improve housing outcomes

- **The recent National Policy Statement for Urban Development is very helpful in easing urban containment policies**, which should facilitate increased housing supply.
- **Increase user charging for water and roads, and remove barriers to greater use of targeted local taxes** on property value increases resulting from changes in land use regulation or from infrastructure investment, and to repay project-specific infrastructure loans.
- Establishment of the national housing and urban development authority should assist with land amalgamation in specific areas.
- **Re-focus KiwiBuild** on enabling the supply of land through aggregating fragmented land holdings and de-risking development sites. **Give greater priority to new rental housing.**
- **Increase social housing provision** in areas with shortages, including through expanding partnerships with non-governmental organisations and reallocating funding from KiwiBuild.