

A generous Budget at Level 2 - the govt's dream outcome?

The public and media focus tonight is on next Tuesday, when life will not return to normal, but there will be a sense of turning a corner when people currently at home with nothing to do will be able to return to work.

These will be in manufacturing, forestry, both horizontal and vertical construction, and contactless retail, including takeout food. Those who've been working from home will continue to do so. Smaller firms may be challenged to meet the safety protocols this will require, but compliance by large corporates should be achievable.

A vital number to watch now is the weekly Ministry of Social Development Friday updates on [unemployment claims](#). The rate of claims is accelerating, but not yet exponentially, thanks to wage subsidies. But it will continue to gather pace, as SME owners juggle wage bills with each round of monthly outgoings.

Ministers already thinking 3 weeks hence

Govt ministers, however, are already thinking beyond level 3 lockdown. They are pinning their hopes not only for the strength of the economic bounceback but also their electoral hopes on moving out of alert level 3 on **May 11, when the Cabinet is scheduled to consider a move to level 2.** Three days later, on Thursday, May 14, Grant Robertson is scheduled an extensively rewritten "recovery Budget", as he termed it last week.

The Aussie factor

Simon Bridges's response to today's announcement that the current lockdown would be extended to April 28 bordered on incoherent, arguing simultaneously that the govt had failed to do enough to be able to get out of lockdown and that it was therefore time to move out of it faster than announced. His only way to square that circle is to argue that we could be having a lockdown like Australia's.

Perhaps time will prove him right. However, **the govt is hoping to neuter that argument by NZ moving to alert level 2 well before Australia moves away from its current level 3-style lockdown.** Longer term, **having both NZ and Australia in a similar 'safe haven' position is a powerful goal for both countries.**

This is NZ's strategy now - accept more economic and social pain now for a faster return to relative normality sooner. If level 3 is colloquially 'level 4 but with takeaways', then level 2 will look like a cautious version of normal life, but with no overseas travel.

The govt would deliver its May 14 Budget in the first week of this level 2 'new normality', laying out the detail of its **next tranche of fiscal largesse** - the \$20b to \$40b of new cashflow supports to businesses and their employees, and funding for **'shovel-ready' infrastructure projects to be identified by the first week of May.**

The **politics of level 2 and a generous Budget in the same week would be politically powerful**, if the govt remains as sure-footed as it has done so far in galvanising public support, even if this reality is that it is being delivered by **a clapped out public health system and a public service that combines extreme political caution and snail's pace execution.** The whole thing is a tightrope walk, but so far, the PM is keeping her balance.

A word on 'elimination'

The govt is committed not to 'eradication' of the virus but 'elimination'. The difference has meaning in the govt's mind. No one believes eradication is possible, but elimination may be, depending on the definition of elimination.

Ardern put it this way at her press conference today: "Elimination doesn't mean zero cases, it means zero tolerance for cases. It means **when a case emerges, and it will**, we test, we contact trace, we isolate, and we do that every single time with the ambition that when we see covid-19, we eliminate it." 🇳🇿