



TE TAI ŌHANGA
THE TREASURY

Economic and Fiscal Update

Hugo Group Breakfast
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NZ

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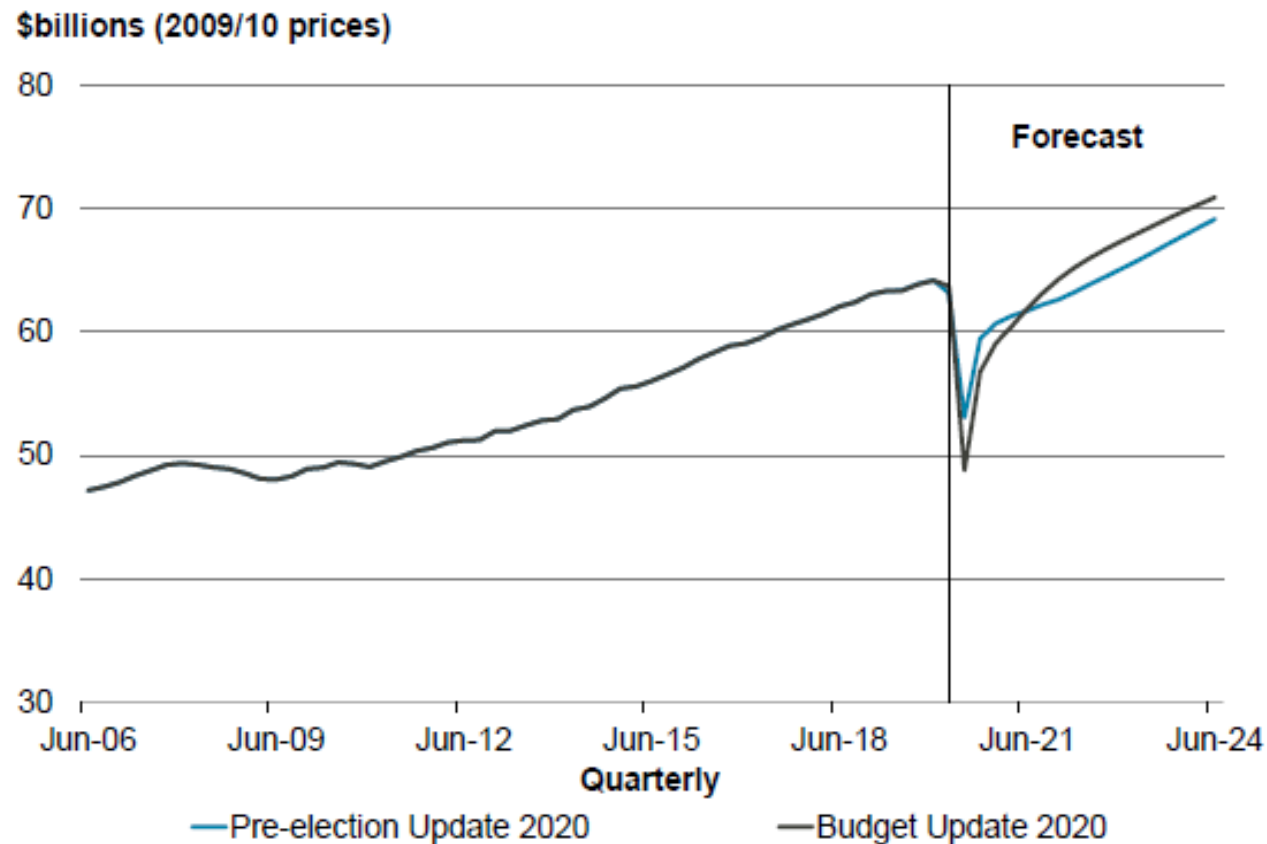
Outline

1. Situation
2. Issues and challenges
3. Discussion

Situation

Large, persistent national income loss...

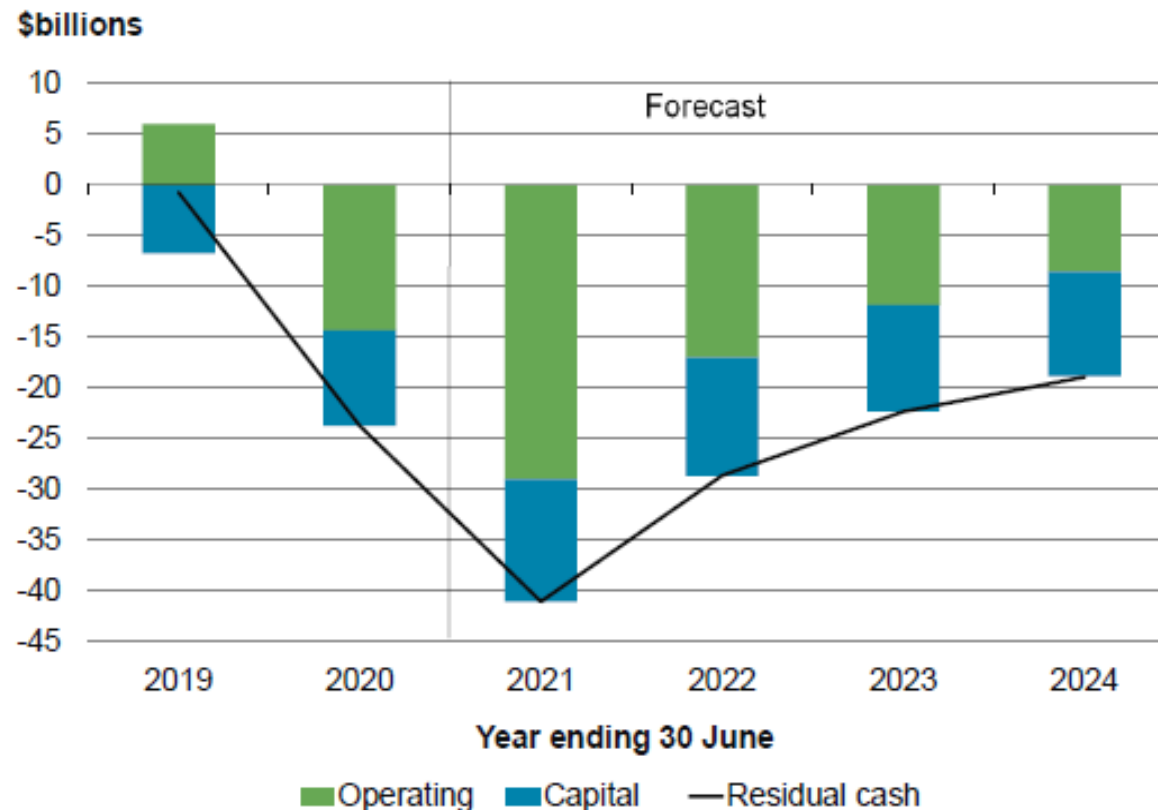
Figure 1.1 – Real production GDP



Sources: Stats NZ, the Treasury

... + huge fiscal opex + capex response...

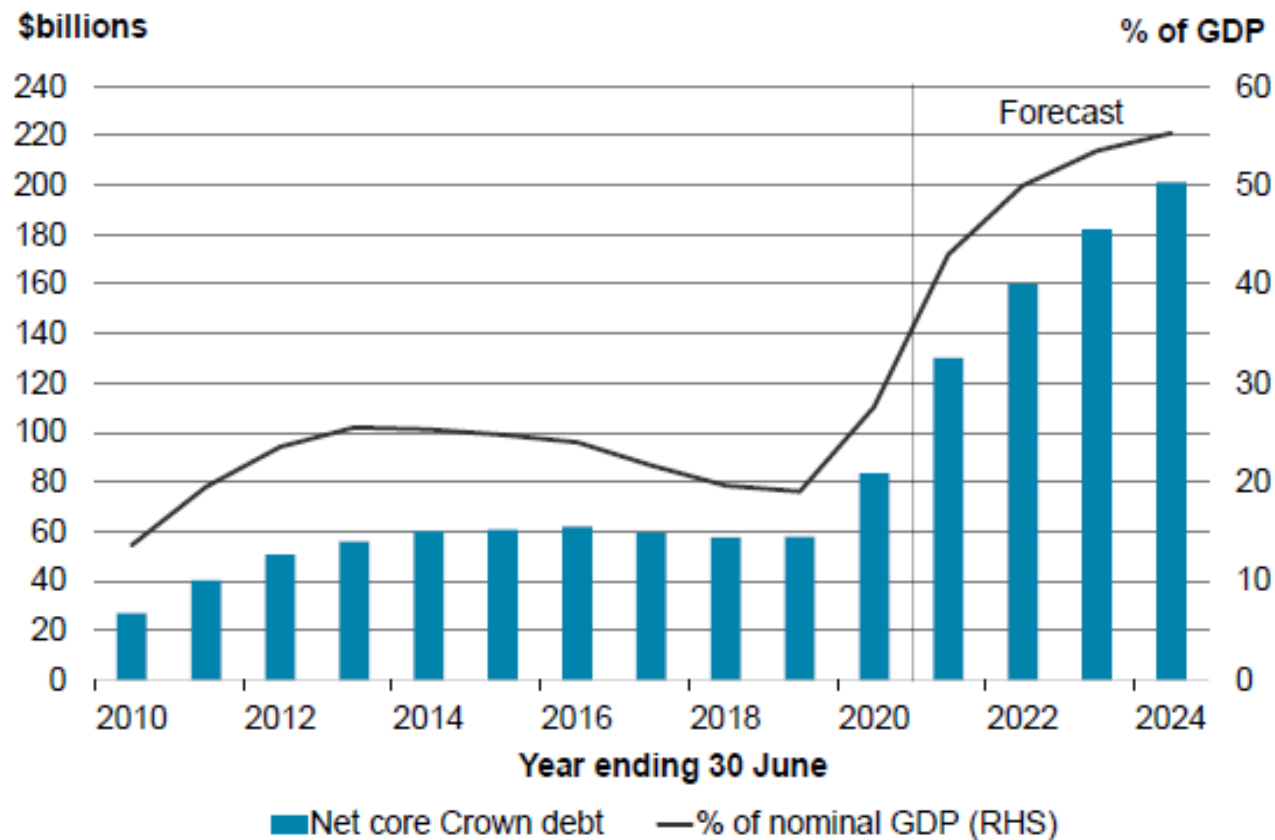
Figure 2.9 – Core Crown residual cash



Source: The Treasury

= a very large public debt increase

Figure 2.10 – Net core Crown debt

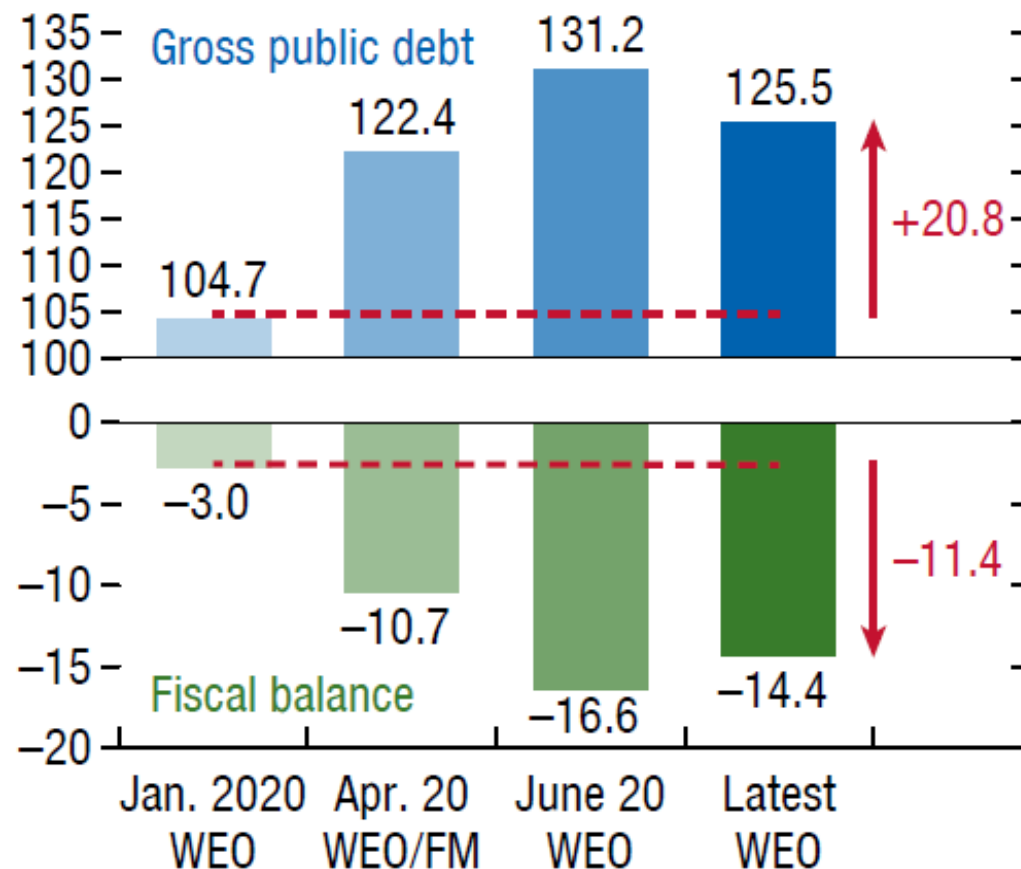


Source: The Treasury

Like other advanced countries

General government gross debt and fiscal balances, advanced countries, % GDP

Source: IMF *Fiscal Monitor* Oct 2020



Sources: IMF, WEO database; and IMF staff estimates.

Key facts

- Q2/Q3 appear less disastrous than expected, but the outlook is very grim (peak forecast unemployment rate 7.8%)
- Many dimensions of living standards under severe strain – jobs/incomes, mental health, human capital
- Disparate impacts across age, gender, ethnic groups
- Lasting damage to economic productive capacity
- Substantially constrained fiscal/monetary space to respond

Issues and challenges

COVID-19 is casting a long shadow

- Ongoing public health risks
- Global outbreak situation bleak
- Vaccine / therapeutics pathways and efficacy unclear

Responses to fiscal and monetary stimulus are still playing out

- Impacts of LSAPs and other alternative monetary policy tools
- Supporting economic adjustment in a COVID-19 world
- How to manage fiscal space from here?

Thanks for listening