

2022 – political conditions

The Hugo Group,
February 15 and 18, 2022



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Key themes

- Pandemic fatigue
 - Which will end first – covid-19 or public compliance?
 - Pressure rising to remove covid restrictions earlier
 - Ardern remains cautious – backed by polls
- National Party back in business
- Labour out of touch with business
- Inflation, housing, immigration the big domestic issues
- Reform agenda: in trouble in key areas



Pandemic's progress

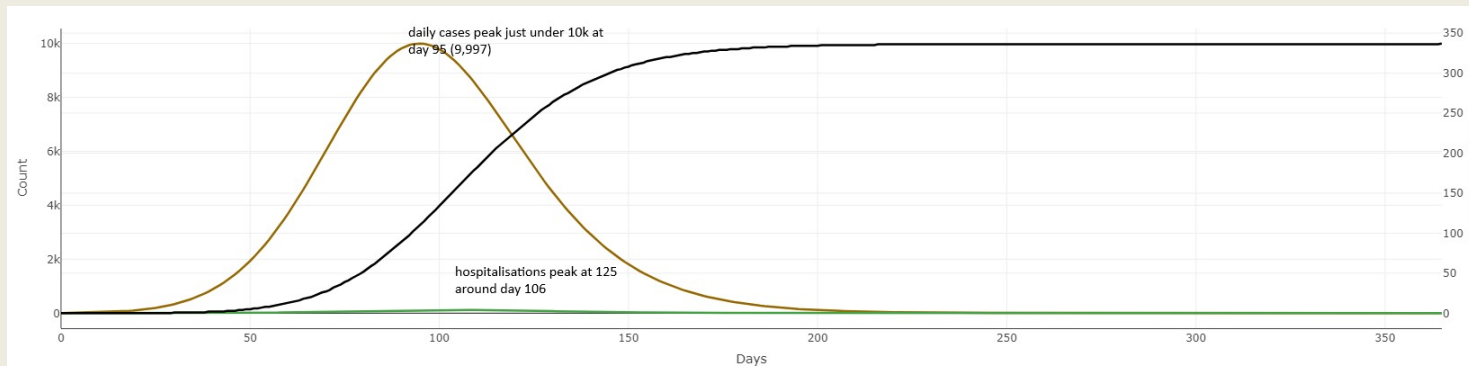
- Omicron outbreak now accelerating
- Still likely to peak by about Easter

Key questions:

- will the govt hold to its current agenda for that long?
 - Or start moving sooner?
- will the low curve stay low?
- Determining influences:
 - Will high vax rates keep the outbreak contained?
 - Impact of Australia opening from Feb 21 – esp on international tourism
 - Public tolerance for ongoing restrictions
 - Harbingers of compliance breaking down – protests, Bluetooth switch-off, low testing
- Easter looms as key decision-making time – if the omicron outbreak is not severe, public tolerance will be sorely tested by then
- Next fortnight crucial for outbreak scale and public reaction
- Mood could change fast with swift rise in cases and hospitalisations
- 'Phony war' mood in recent weeks



Modelling – what to believe?



WCA omicron model - newly released from Wigram Partners:

- 9,997 daily infections peak at day 96
- Hospitalisation peaks at around 125 around day 106
- Total cumulative fatalities in one year – 336
- Implications:
 - Survivable
 - Less severe than worst case modelling
 - Case for severe restrictions greatly weakened



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Key Assumptions

- Reduction in tx due to public health measures = 20%
- Probability of isolation for symptomatic cases = 80%
- Probability of isolation for asymptomatics = 50%
- Reduction in tx, owing to isolation = 40%
- Changing any of these variables changes the answer, but it is a reasonable way to discuss possibilities
- Less skewed towards calamity than other modelling



Border opening plan – realistic?

- Australia substantially reopens Feb 21
 - Risk that this will become seen as premature if Australia experiences a galloping increase in cases
- If Australia is successful (and Wigram is a guide):
 - Pressure for lessening of domestic covid restrictions likely to become intense
 - Pressure to alleviate harm to NZ international tourism operators will become intense (backed by Air NZ)
 - Much earlier than July for quarantine-free trans-Tasman travel likely



The mandate protests

“Not only will there be no forced vaccinations, but those who choose to opt-out won't face any penalties at all.”

Jacinda Ardern, 20th September, 2020



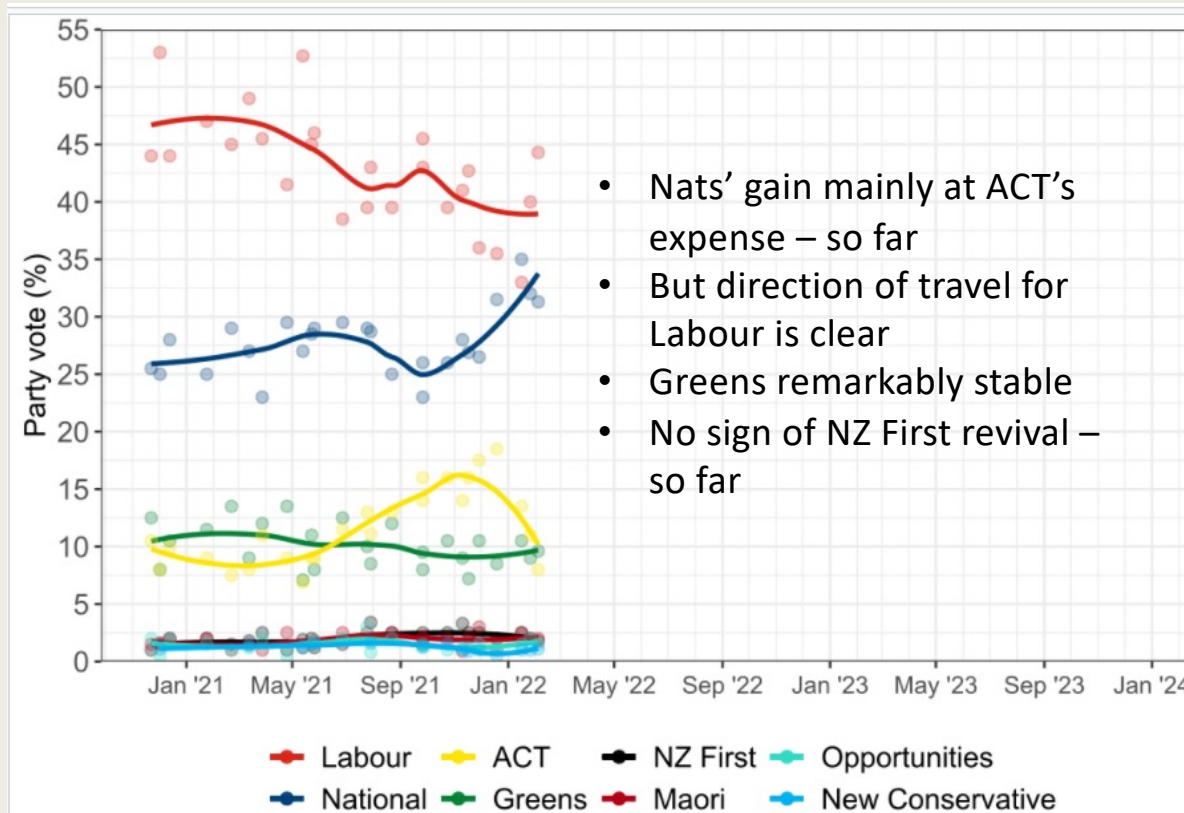
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Phase 2 – oddly in synch with the protest

- Phase 2 is not lockdown, despite self-iso requirements
- It is testing-heavy
- With a bias for return to work
- And daily life as normal
- PM is channeling Rob Fyfe’s advice on short period of voluntary lockdown – distinct from self-isolation
 - Key question for NZ: will this happen here, given higher levels of entrenched fear?



State of the parties



Labour out of touch with business

- Failed to engage, except when pressured, with business community's ability to execute at scale
- Immigration policy looks more like trying to solve the housing crisis by limiting imported labour
- Business community – multi-nationals particularly – fearful to express views publicly
 - Viz, RATs outrages



After covid – the economy

- If – if – covid fades this year, the economy takes over
 - Small business failures – highly visible sectors (hospo)
 - Slow international opening harms international tourism sector (also highly visible)
 - Interest rates rise sharply, putting pressure on home owners
 - House prices stabilise, fall in some areas – ‘wealth effect’ reverses
 - National well-positioned to exploit on top of a confused and grumpy mood
 - Will the govt ended up being blamed for two-plus awful years of covid, irrespective of whether or not that’s fair?



The reform agenda

- Add to this the scale of the agenda, fraught with problems of execution and principle/quality
 - Technical skills education
 - Immigration policy – skill vs unskilled vs labour shortages in both
 - Housing – the conundrum that solving it means lower or stable house prices
 - Inflation – Adrian Orr as a major liability
 - Three waters – lightning rod for simmering, hidden racepolitics backlash
 - Energy – wishful thinking, little rigour
 - RMA – unwinnable?
 - Wellbeing, poverty reduction, climate change – too few runs on the board

