



TE TAI ŌHANGA
THE TREASURY

COVID-19 economic impacts, responses and outlook

VUW Auckland Commerce Teachers' Professional
Development Day
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Outline

1. Where have we come from?
2. The outlook, some questions, and challenges and opportunities
3. Discussion

Where have we come from?

Big challenges



Technological disruption



Social disconnection & disparities



Environmental degradation
Excessive resource drawdowns



Climate change

Big shocks

DIA 1071.51 ▼ 50.48 -4.6% NASDAQ 2279.91 ▼ 3.6% NIKKEI Cited(12214.76) DJ STOXX 50 2746.81 ▼ 4.0% 10-YRTREAS A2 3/32, yield 1.62% OIL \$95.71 ▼ \$5.47 GOLD \$793.20 ▲ \$22.80 EURO \$1.4120 YEN 104.88

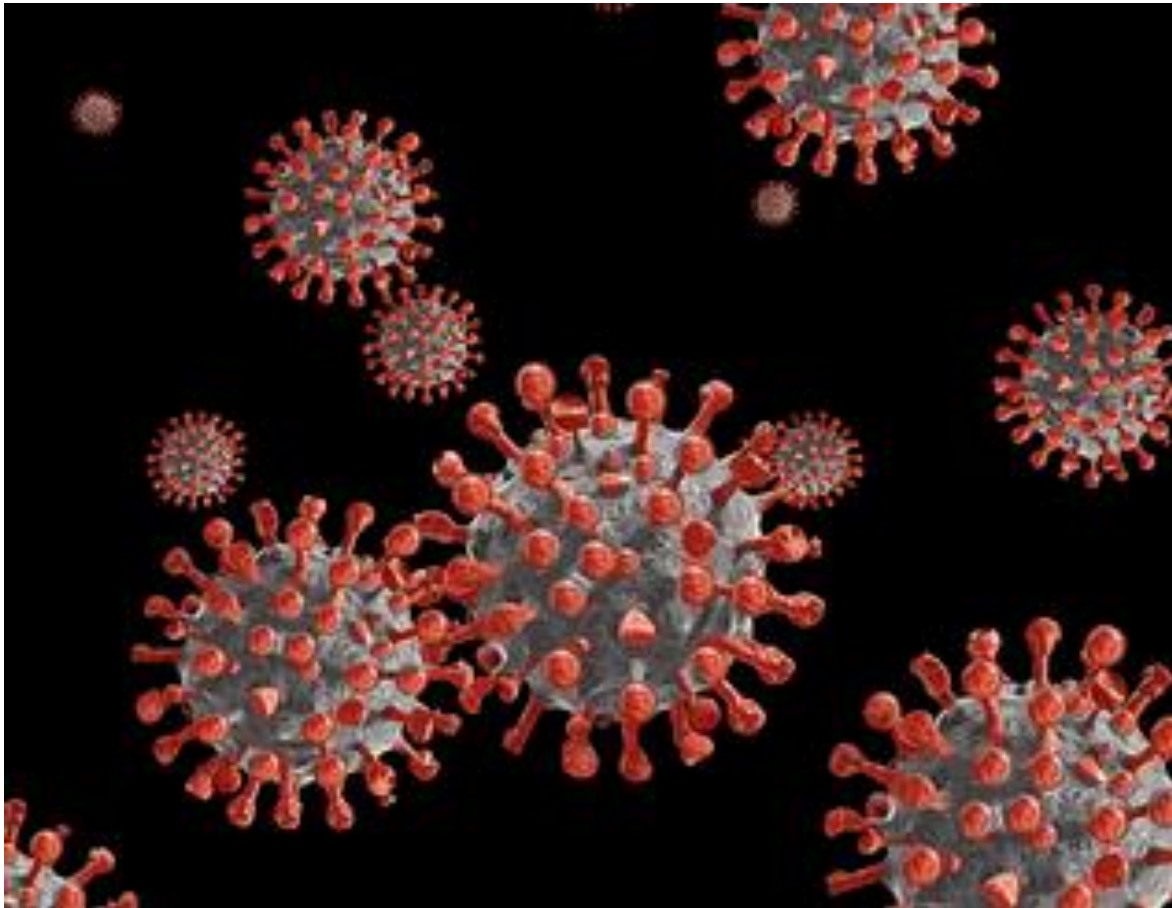
AIG, Lehman Shock Hits World Markets

Focus Moves to Fate of Giant Insurer After U.S. Allows Investment Bank to Fail; Barclays in Talks to Buy Core Lehman Unit



Photo by [Saikiran Kesari](#) on [Unsplash](#)

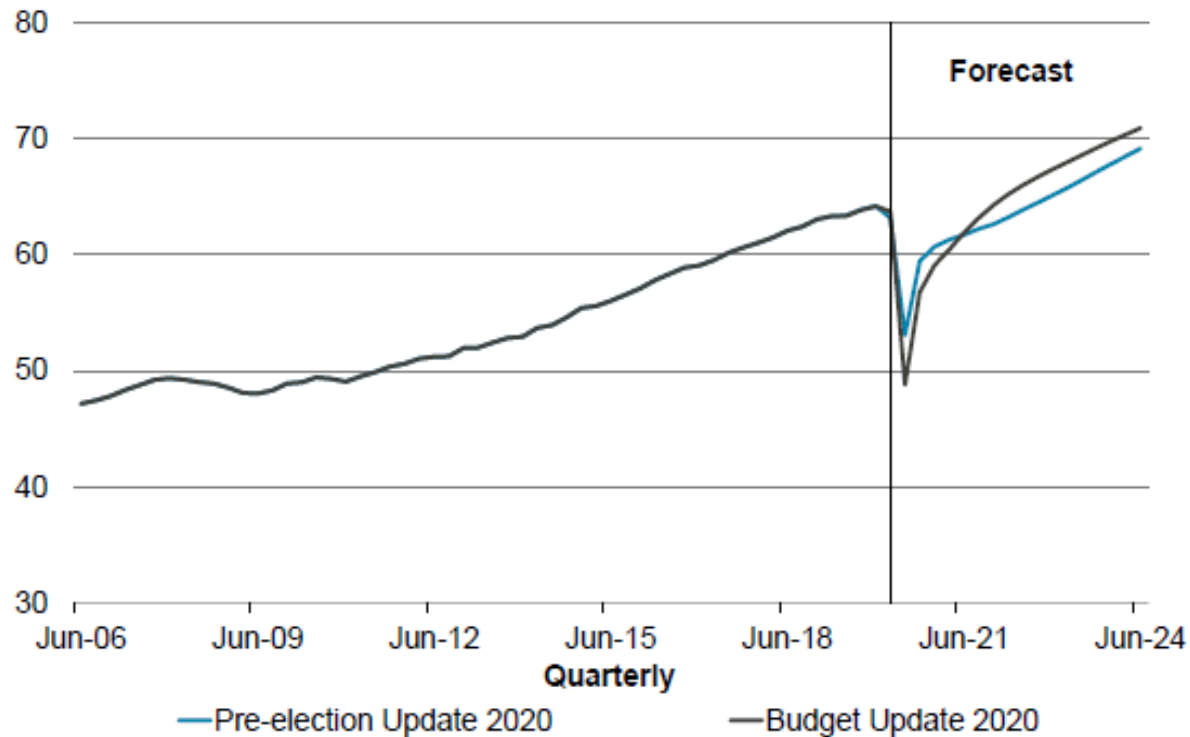
... and the “once in a century”?



Large, persistent national income loss...

Figure 1.1 – Real production GDP

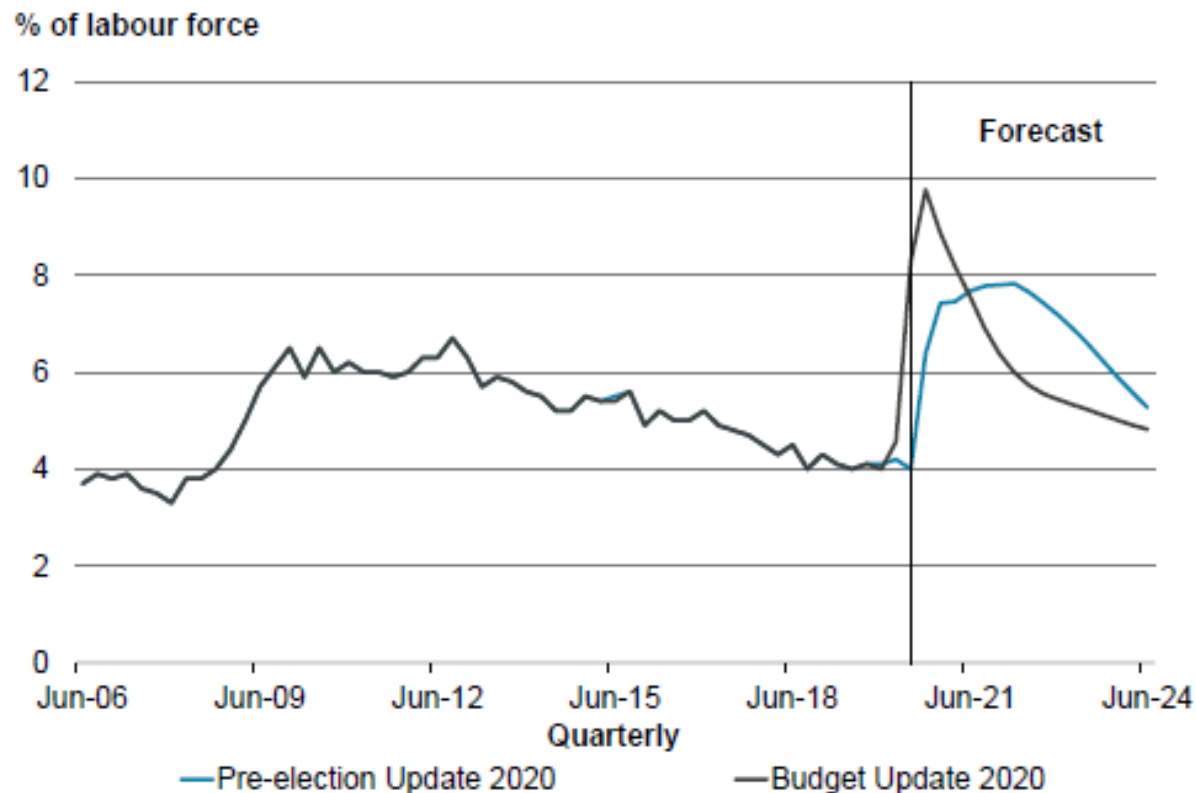
\$billions (2009/10 prices)



Sources: Stats NZ, the Treasury

... and large impact on employment...

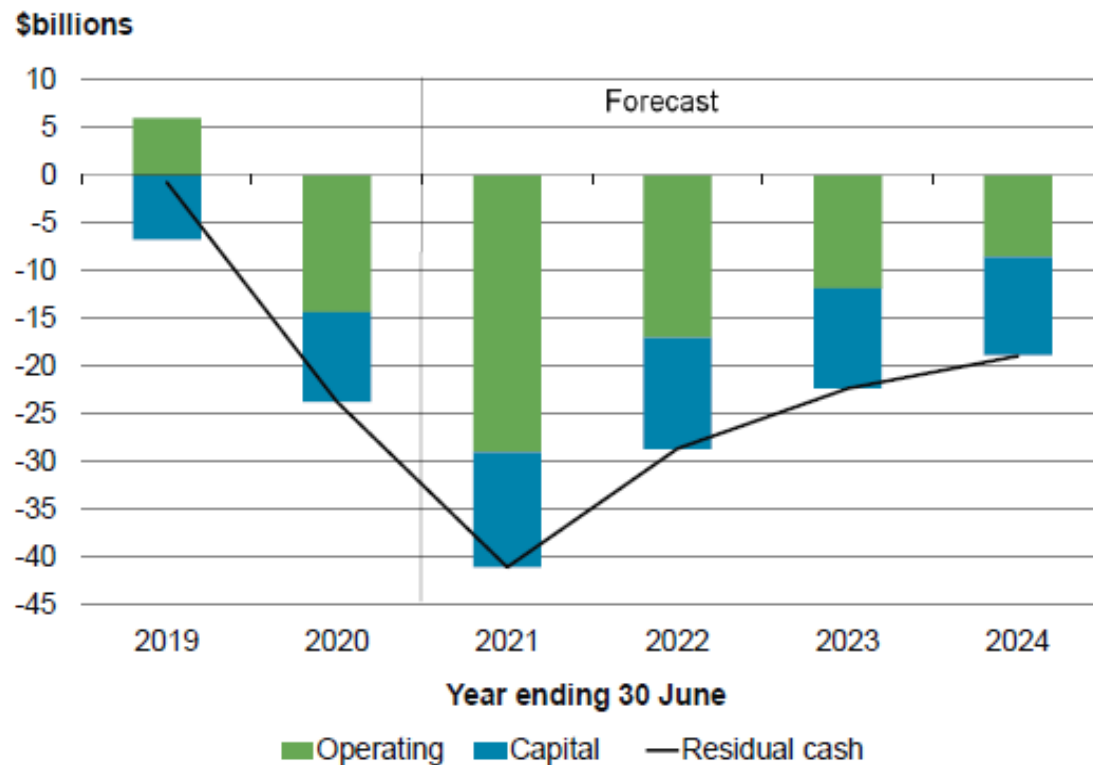
Figure 1.8 – Unemployment



Sources: Stats NZ, the Treasury

... cushioned by fiscal policy...

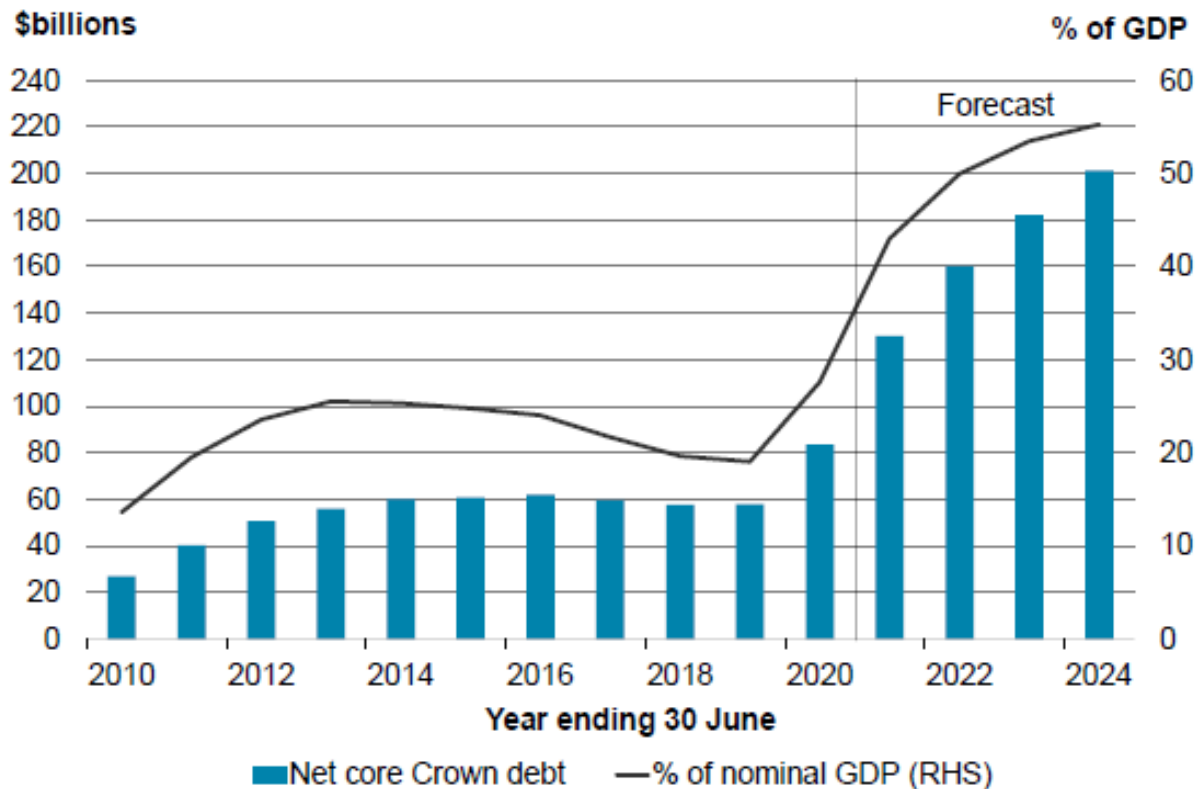
Figure 2.9 – Core Crown residual cash



Source: The Treasury

... all adding up to a very large public debt increase

Figure 2.10 – Net core Crown debt



Source: The Treasury

Key facts

- economic impact so far has been severe, but less so than expected
- the outlook remains grim (peak forecast unemployment rate 7.8%)
- many dimensions of living standards are under severe strain – jobs/incomes, mental health, human capital
- disparate impacts across age, gender, ethnic groups

The outlook, some questions, and
challenges and opportunities

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COVID-19 is casting a long shadow

- Ongoing public health risks (border; outbreak management)
- Global outbreak situation getting worse in many places
- Vaccine / therapeutics pathways promising, but still early days

Fiscal and monetary responses are still playing out

- What's going to get people back in (good) jobs?
- How will the economy adjust to a post-COVID world?
- Who's going to pay?

Thanks for listening

