

New Zealand After Covid-19

October 29, 2020

There are few corners of New Zealand’s society that Covid-19 has not touched. From healthcare to the economy and education to professional sports, the pandemic has changed the way New Zealanders interact with each other and with the world.

Covid-19 also impacted New Zealand’s politics. The country’s proportional voting system is designed to make it difficult for big parties to govern without smaller coalition partners. **Nevertheless, with an absolute majority in government in the most recent election, New Zealand’s Labour Party will be able to do just that.** The pandemic was decisive in Prime Minister Jacinda Ardern securing this historic victory and being able to govern for a second term. Ardern’s decision to close the borders and enforce a nationwide lockdown meant fewer than 2,000 people have become infected with the virus and only 25 have died.

This strong mandate, however, increases pressure on the government to guide New Zealand through the pandemic and recovery. New Zealand officially entered a recession in September, the result of multiple lockdowns and closed borders. The tourism industry, construction and agriculture have taken significant knocks. Voters will expect more from the government than Covid-19 action such as economic recovery, addressing housing unaffordability and meaningful climate change policies.

Please see below for a detailed exploration of New Zealand’s economy, politics, society and place in the world in the aftermath of the pandemic. BGA will continue to monitor and keep you apprised as developments occur in New Zealand. If you have any questions or comments, please contact BGA New Zealand Senior Advisor Penny Tucker at ptucker@bowergroupasia.com



Prime Minister Jacinda Ardern

Best Regards,

BGA New Zealand

Economy

The latest Treasury figures show that New Zealand’s economy has performed better than expected in the immediate aftermath of the Covid-19 lockdown, but long-term the contraction will be greater than anticipated. The government has predicted an NZD 31.7 billion (\$21 billion) deficit for 2020/21 with continued deficits through to 2033/34.



New Zealand’s small economy depends on the rest of the world. Since borders were closed in March, the foreign students and tourists who power its growth have been shut out. The government predicts unemployment will almost double to 7.7 percent in the year ahead.

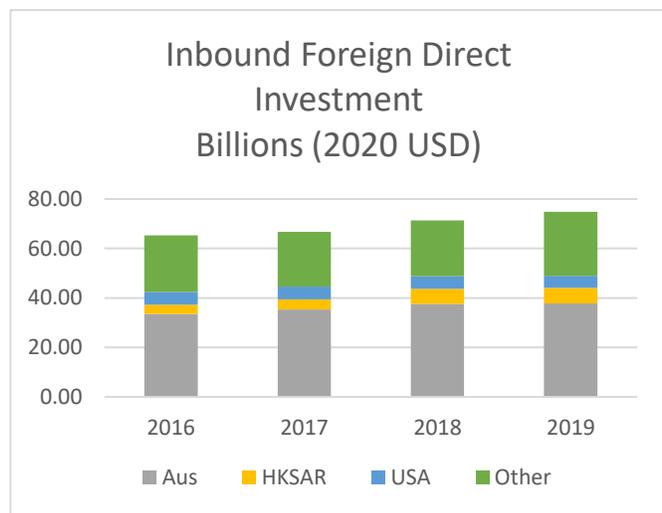
Tourism and Travel Bubbles

New Zealand will be watching emerging agreements in Asia to establish “travel corridors” and “bubbles.” However, with New Zealand’s cautious approach to the pandemic, it is uncertain whether the government will adopt this approach to facilitate business travel as other economies in Asia have. Travelers from New Zealand can now travel quarantine-free to Australia’s New South Wales, the Australian Capital Territory, South Australia and the Northern Territory, while travelers into New Zealand remain subject to quarantine. Travel bubbles would be a huge boost to New Zealand’s economy.

Pre-Covid-19, international tourism was one of New Zealand’s major export earners, raking in NZD 17 billion (\$11 billion) a year to March 2019. The biggest contributor was Australia. The loss of tourists is devastating resort towns such as Queenstown and costing New Zealand thousands of jobs. If Canberra agreed to a two-way bubble with Australia, the floodgates would open. Australians with limited international travel options would pour into New Zealand, stimulating significant economic activity and allowing many Kiwis to return to work. It would enable many tourism businesses to weather the slow recovery of international travel in the years ahead.

Foreign Investment

Overseas investment is an important contributor to New Zealand’s economy and will be integral in supporting economic recovery. The government, recognizing that international businesses may look to overseas markets to access capital in a bid to recover and grow from the impact of Covid-19, introduced emergency legislation amending New Zealand’s foreign investment rules intended to attract overseas investors. The changes aim to increase New Zealand’s productivity, bring in new technologies and create jobs.



Source: stats.govt.nz, 2019

The Urgent Measures Act came into effect on June 16, 2020. Now, the Overseas Investment Office (OIO) must be notified of all transactions that involve an overseas party buying 25 percent or more of a business. Previously, the OIO screened transactions over NZD 100 million (\$67 million) or involving sensitive land sales. The existing rules have also been simplified so that some low-risk investments no longer need consent.

A national interest assessment was also introduced to ensure that investment in strategically important assets is in line with New Zealand’s national interests. Investments in large businesses,



those that have significant market share or businesses that operate in sensitive areas of the economy such as the health sector, military or other critical national interest, will raise more national interest concerns than investments in other types of businesses.

The new rules will be reviewed every 90 days and will remain in place only as long as they are deemed necessary to protect national interests during the aftermath of the pandemic.

Healthcare

Healthcare spending has often been seen as a financial drain rather than an investment in economic and social development. New Zealand governments traditionally seek to constrain healthcare expenditure and the system's shortcomings have been starkly revealed through the Covid-19 pandemic. Public health services in particular have been exposed as disorganized with outdated supporting infrastructure. This is expected to change in the coming months. Director General of Health Ashley Bloomfield recently announced that district health boards need to prioritize spending on IT systems.

Activism on access to treatment has never been more pronounced in New Zealand. One of the issues that has been exposed by the government's response to Covid-19 is that the extraordinary scale of interventions has caused some people to reflect on gaps elsewhere in the health system. The underinvestment in pharmaceuticals, in particular, has fueled ongoing initiatives to revisit health priorities and consider the utility of defining a medicines strategy, which New Zealand does not have at present.

Politics and Society

Ardern's "Red Tsunami"

Prime Minister Ardern will govern New Zealand for a second term after the Labour Party secured a landslide victory in the general election on October 17, attracting so many votes that it could become the first party in decades that is able to govern alone. Some special votes still need to be counted, but so far Labour has 49 percent of the vote, giving it 64 seats out of 120, compared with 27 percent for its main opposition, the National Party.

After the election, the prime minister said she would take two or three weeks to officially form a new government. She is now in talks with the Green Party's 10 members of Parliament (MPs) after the party won two additional seats in the recent elections.

The parties may not enter a coalition but could form a partnership in which the Greens vote with the government on certain issues in return for a ministerial portfolio. Greens co-leader James Shaw was climate change minister in the last government, and it is likely that he would be reappointed to that post.

Preliminary Results of the New Zealand General Election October 17, 2020

PARTY	SEATS (OUT OF 120)
Labour	64
National	35
ACT	10
Green	10
Maori	1

Source: [Elections.nz](https://www.elections.nz/), Election Night Results



Ardern made it clear that although the handbrake of the New Zealand First Party — Labour’s conservative coalition partner during the last term — has been removed, she has no major plans on a new agenda. Ardern in her first term was a pragmatic and centrist leader, quick and bold to act in crises but cautious with large-scale disruption. The Labour Party has said it will create jobs by investing in critical infrastructure, providing loans for small firms and granting subsidies for companies to hire people who are unemployed. Labour failed to articulate a clear vision or top policy priorities in its campaign, and Ardern has avoided outlining what the future holds for New Zealand, repeatedly saying, “we are looking into that.”

A “Team of Five Million”

In her post-election speech at the Auckland town hall, Ardern thanked the nation for its unity and resilience through Covid-19 and for the strong mandate it gave her in the election. She promised to govern with cooperation and positivity, much as New Zealanders handled the pandemic.

New Zealanders were impressed by the Labour government’s quick spring to action when Covid-19 first reached the country’s shores. Trust was built early on; clear communication, reliance on science-backed plans and swift results from collective action meant that New Zealand has all but suppressed local transmission of the virus.

Kiwis joke about Ardern’s oft spouted praise for her “team of five million,” but they knew what was expected of them and how to keep themselves and others safe during the pandemic. A brief resurgence in cases was quickly contained with a return to strict restrictions on movement. This has allowed New Zealanders to enjoy freedoms not afforded to much of the rest of the world. A day after the election, 46,000 people entered a stadium to watch the All Blacks beat Australia in a rugby match.



Source: [Roy Morgan Research](#), 2020

New Zealand in the World

Asia is Key to New Zealand’s Post-Covid-19 Future

Foreign policy did not feature highly in New Zealand’s pre-election conversations. However, there will be plenty of international issues for the government’s next foreign affairs minister to navigate in the months ahead. Tensions in the South China Sea will impact New Zealand, with one-third of all global trade estimated to pass through it, and stability in the region is vital for the country’s exporters.

New Zealand is as close diplomatically to the United States as it is economically to China, and it will have to navigate the U.S.-China trade dispute carefully. Ardern’s commanding win allows her to craft an updated China strategy, one that reflects tensions between China, the United States and Australia but also accounts for the importance of New Zealand’s economic ties with Beijing. China has been New Zealand’s top trading partner since 2017. In 2019, exports to China were 23 percent of New Zealand’s



total for the year. The secret will be weighing up national security — as a member of the “Five Eyes,” New Zealand is party to high-level intelligence sharing and security cooperation — against an export-led recovery from the economic damage of Covid-19.

Virtual Diplomacy for APEC 2021

In June, the government announced it had abandoned plans to host a physical Asia-Pacific Economic Cooperation forum in 2021 due to the Covid-19 pandemic and moved all events online. The Foreign Affairs Ministry is working to ensure that meeting participants and chairs can get the “delegate experience,” allowing attendees to have informal conversations and spontaneous discussions that are a valuable feature of physical summits.



Social Intelligence Spotlight: New Zealand

This week’s Social Intelligence Spotlight examines conversations in New Zealand’s digital space on the government’s handling of Covid-19. In general media mentions over the course of the reporting period reflected overwhelming support for Prime Minister Jacinda Arden’s efforts to manage the pandemic, which is consistent with her government’s recent landslide election victory. Social media users noted New Zealand’s absence of community transmission cases and were grateful for the country’s low death count, expressing thanks to Arden for her stewardship through the crisis.

Negative sentiment was limited to just a few social media posts, with detractors tending to be critical of the lockdown and demanding that Arden govern in a more transparent manner and articulate a long-term economic recovery plan. Media mentions also highlighted the lack of a robust Covid-19 testing regimen for border workers before New Zealand’s outbreak in August. In

particular, social media users criticized Arden and Minister of Health Chris Hipkins, who at the time denied any knowledge of the incomplete testing rollout though reports later revealed that the Cabinet had been briefed repeatedly on this issue.

One interesting discussion thread during the reporting period which generated notable discussion was the incident surrounding UK politician Suzanne Evans, the former deputy chair of the Independence Party, who accused New Zealand of forcibly quarantining Covid-19 patients. In response, some social media users in New Zealand rebuked Evans for spreading misinformation and defended the government’s isolation facilities, which they argued were more like 5-star hotels than detention camps. Social media users also applauded policies which have allowed New Zealand to host concerts and international sporting events, which partly accounted for the highly positive level of digital sentiment around Covid-19 and the government’s performance.

Social Media Sentiment on Government Response
October 22 to 28

