



Making sense of the numbers

www.berl.co.nz

Will wellbeing be gazumped?

As sombre economic outlook hovers

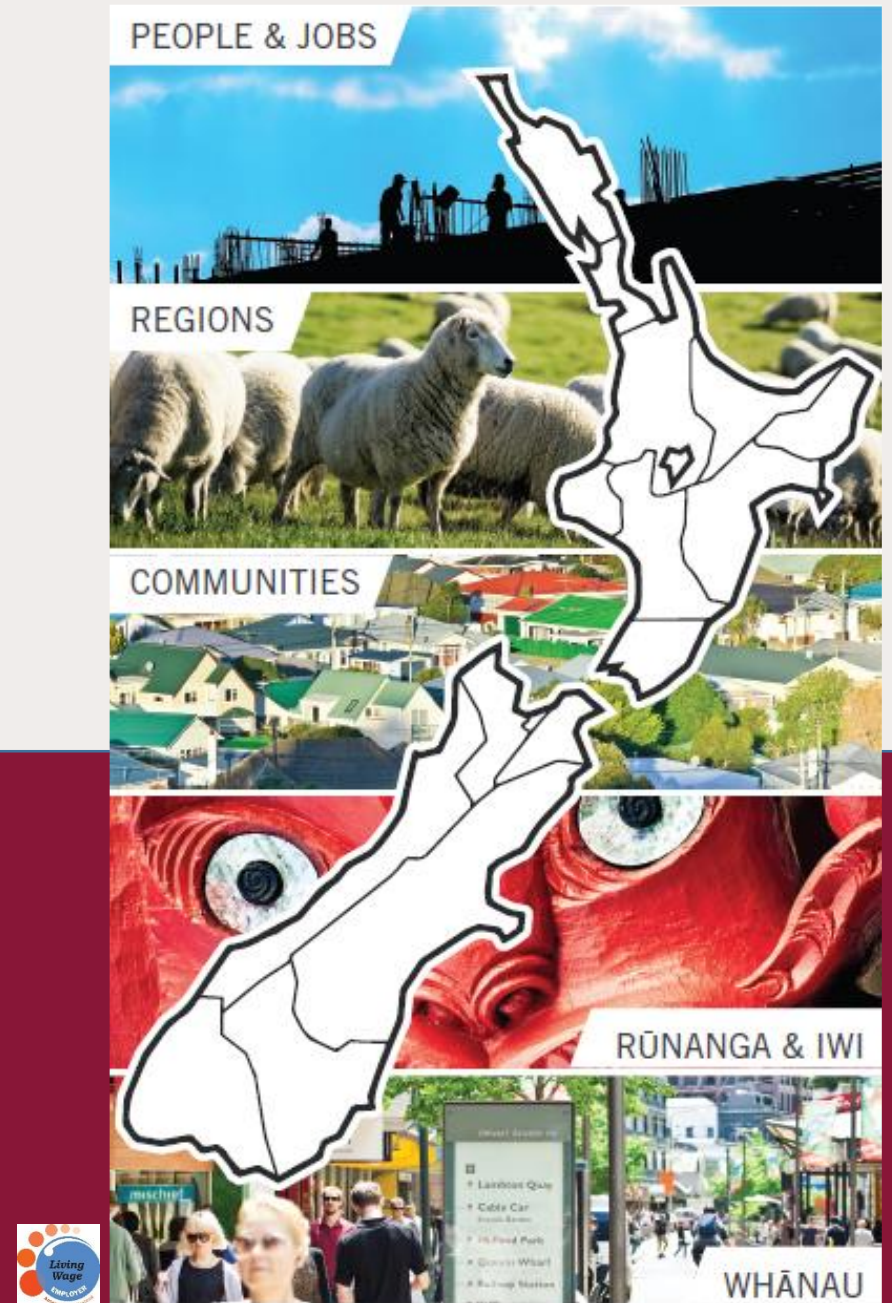
Haratua 2019

Amanda Reid, Senior Researcher
Nick Robertson, Senior Economist
Dr Ganesh Nana, Chief Economist

 @BERLeconomics
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Making sense of the numbers



Wellbeing Living Standards Framework Government priorities

Amanda Reid
Senior Researcher

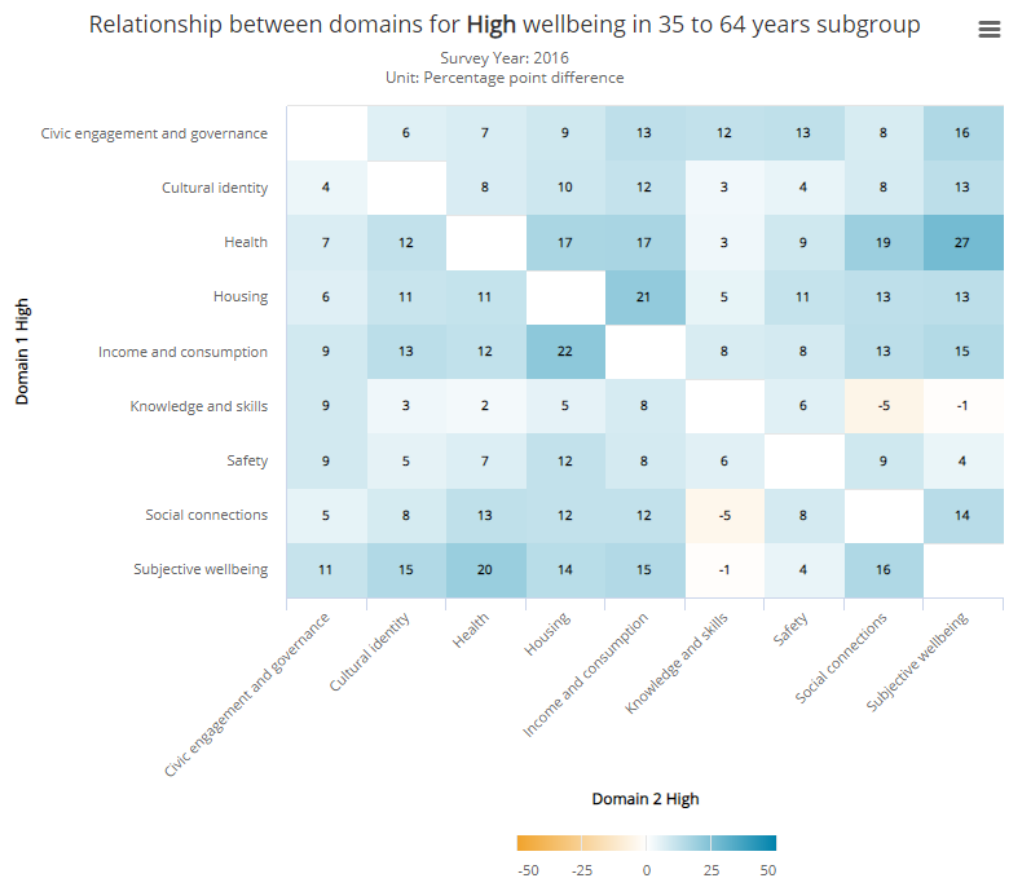
The Living Standards Framework



Current wellbeing domains



“Our people” graphs



Source: Stats NZ, General Social Survey

The four capitals



Government priorities

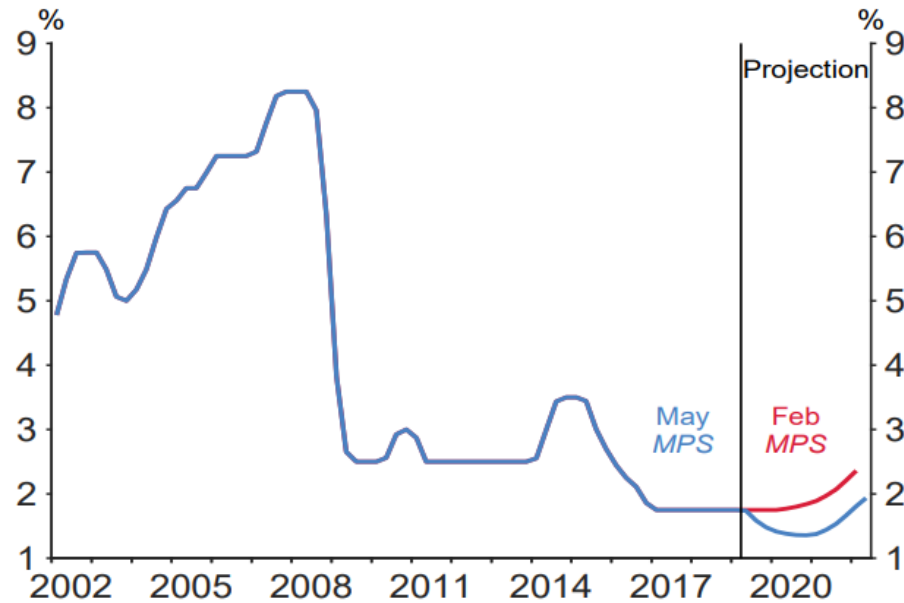
- mental health
- reducing child poverty
- lifting incomes for Māori & Pasifika
- digital innovation
- transitioning to a low-emissions economy

The economic situation

Nick Robertson
Senior Economist

OCR and inflation

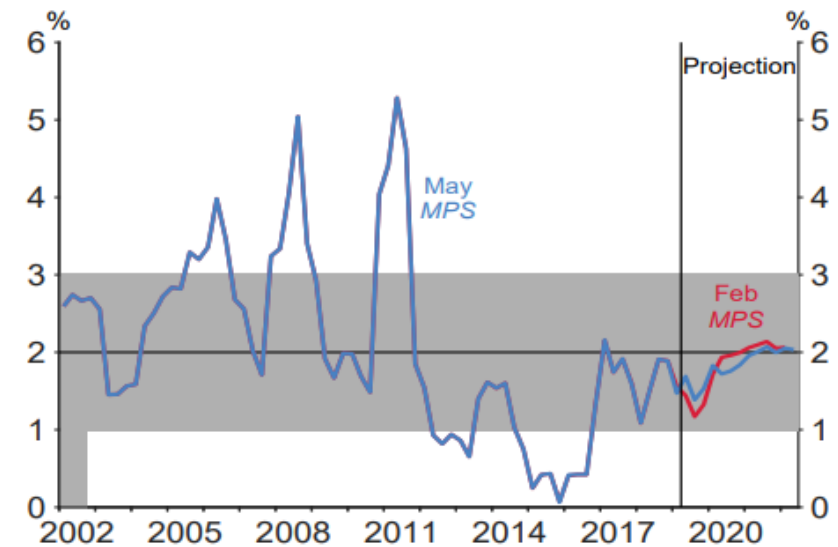
Figure 2.6
Official Cash Rate
(quarterly average)



Source: RBNZ estimates.

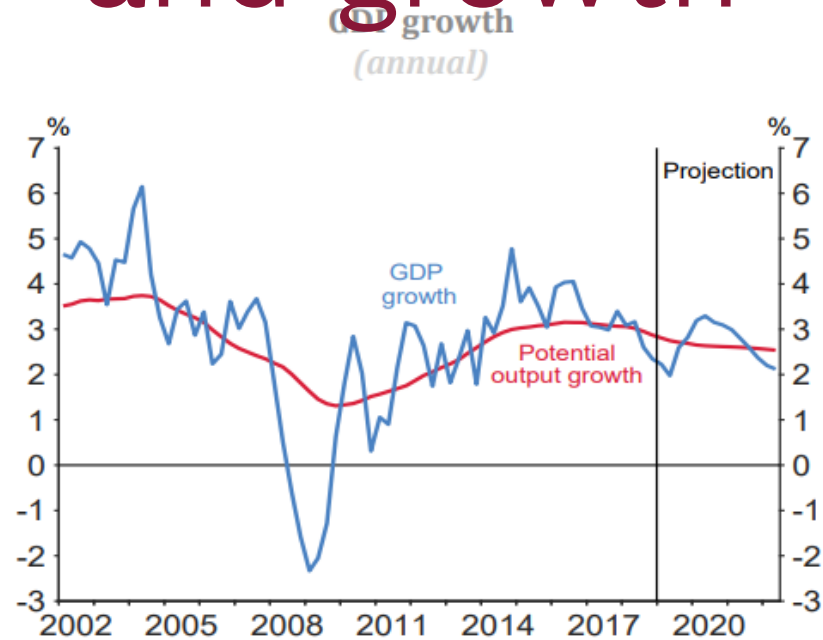


Figure 2.8
CPI inflation
(annual)

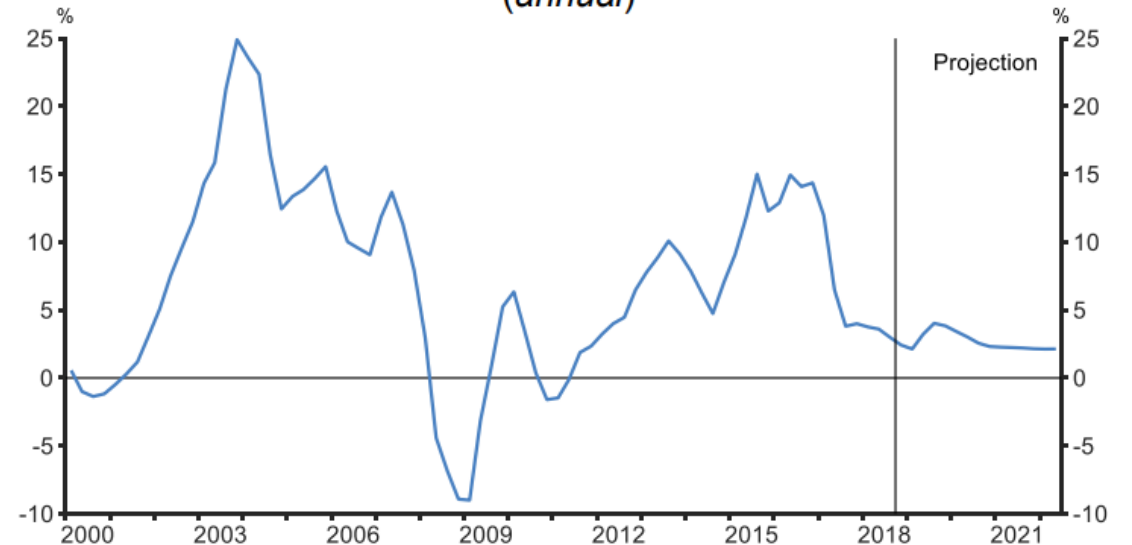


Source: Stats NZ, RBNZ estimates.

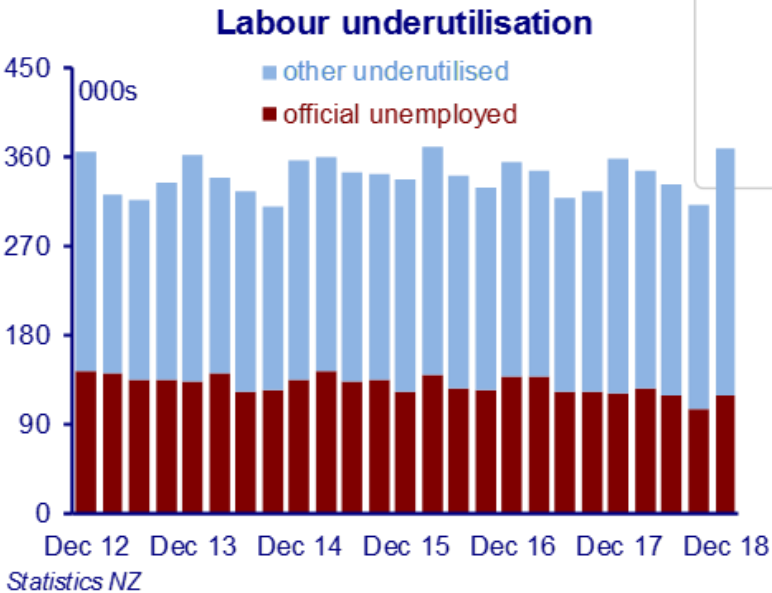
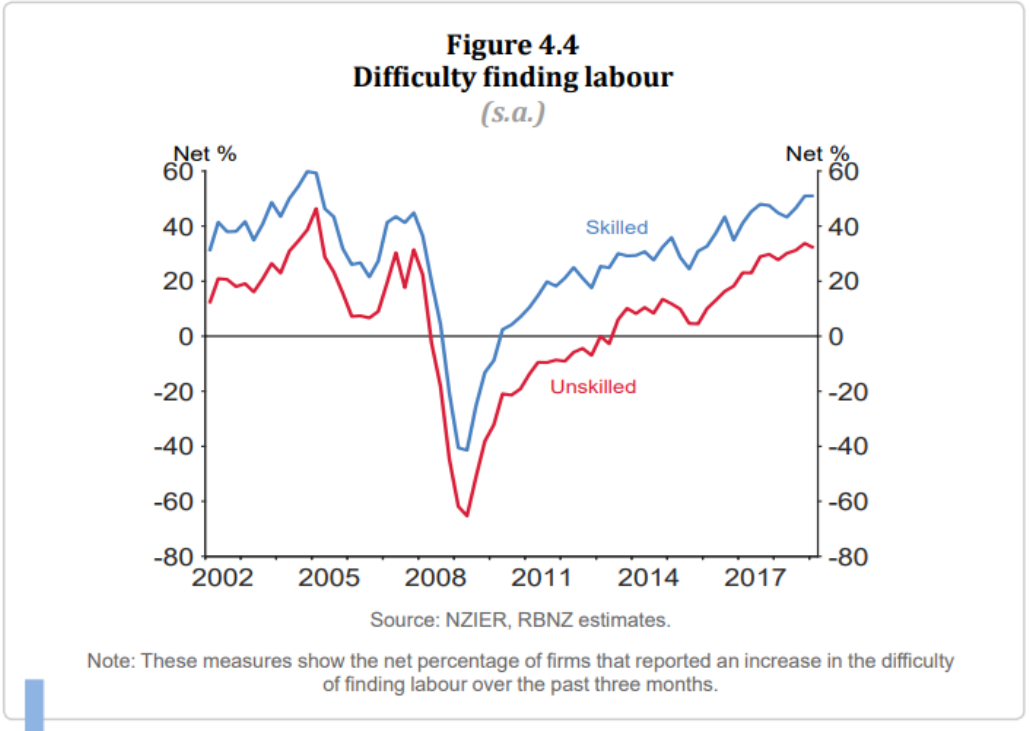
GDP and growth



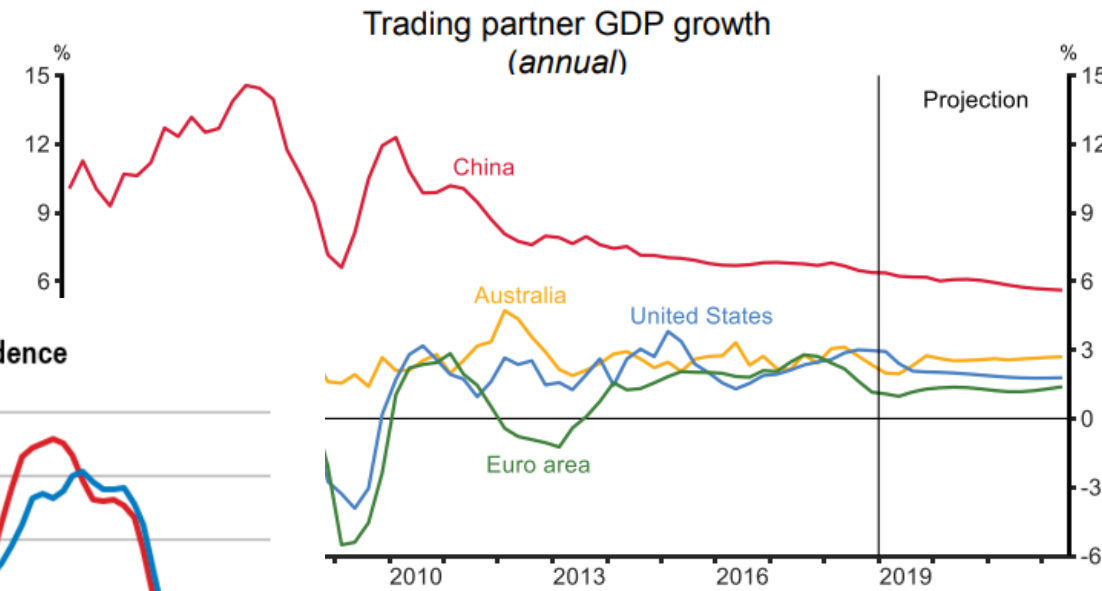
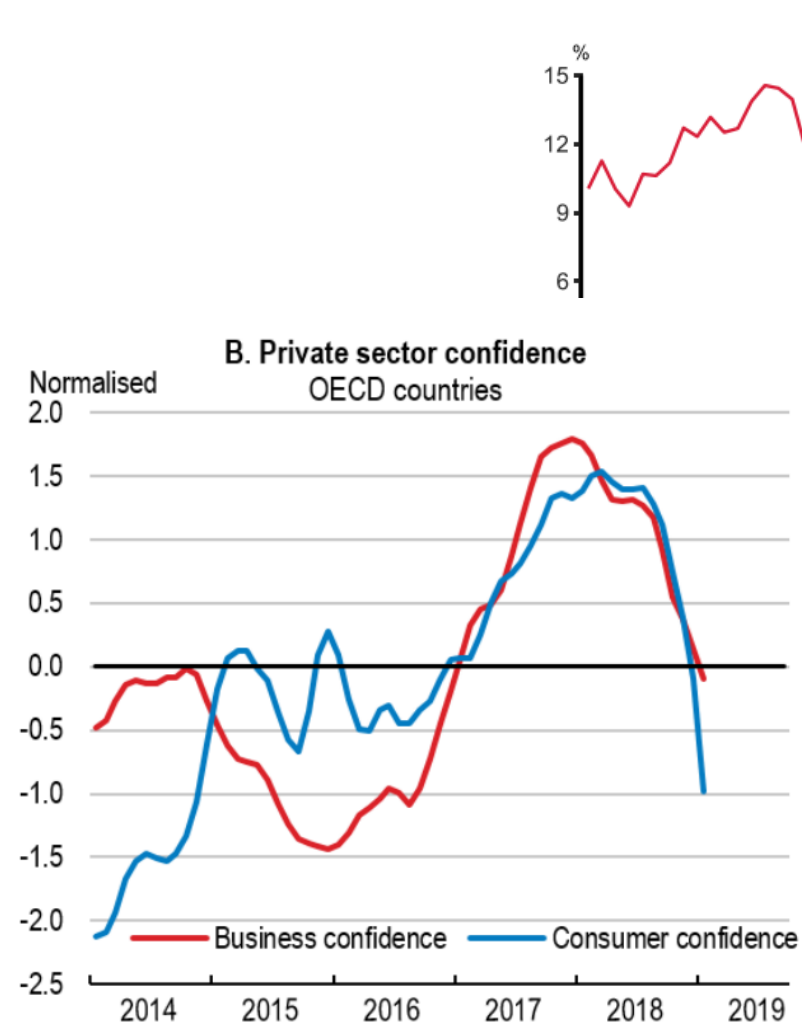
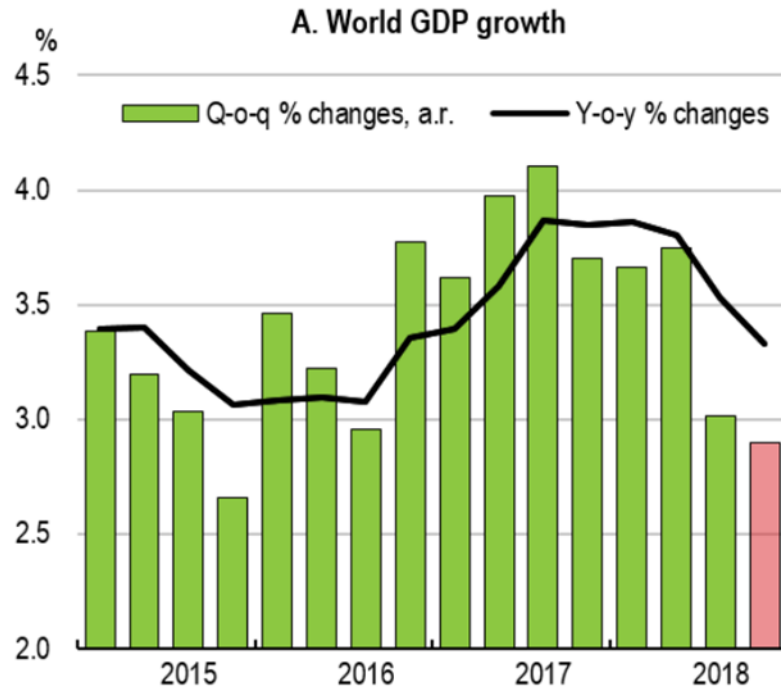
House price inflation (annual)



Employment and investment



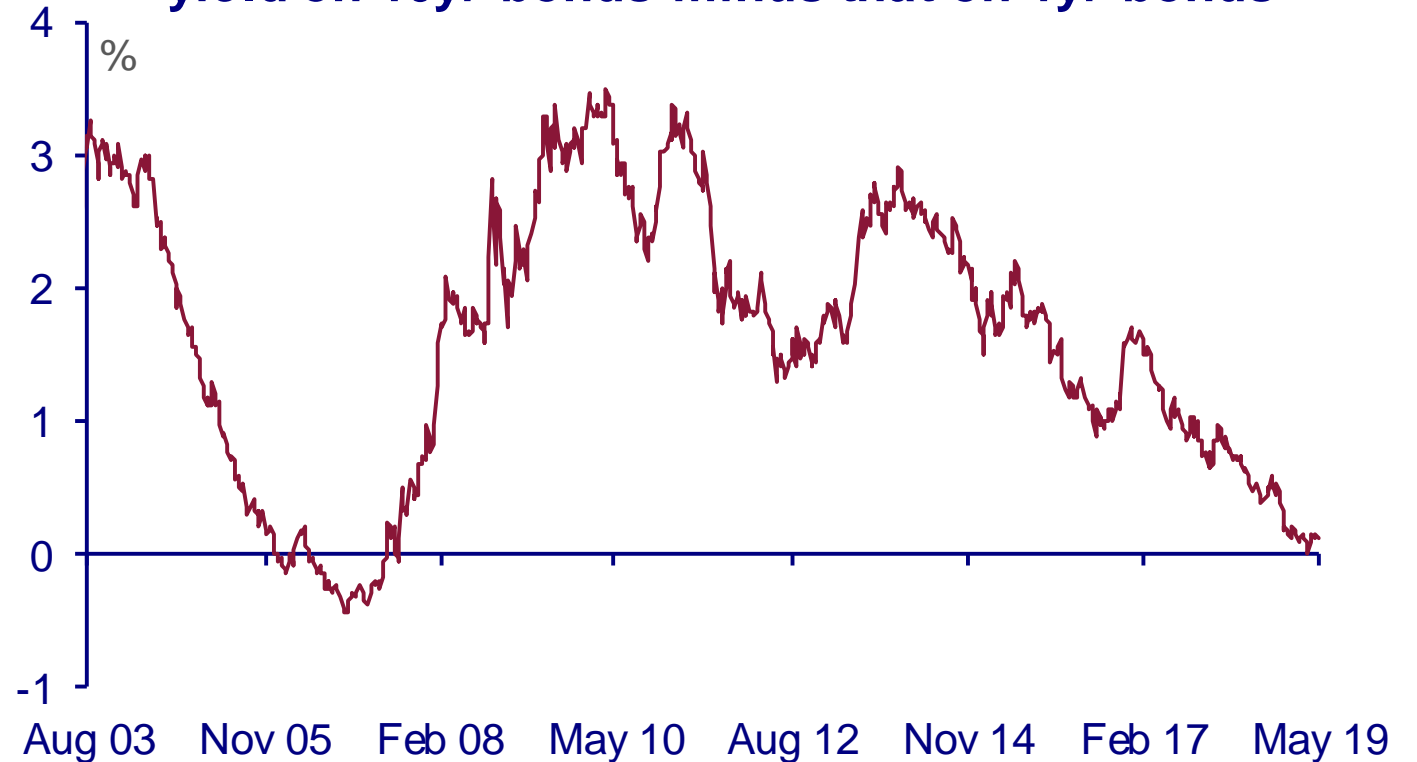
Risks coming from offshore



USA yield curve



Yield curve on US Treasuries
yield on 10yr bonds minus that on 1yr bonds



Federal Reserve

USA vs China (and Iran and North Korea)



Donald J. Trump @realDonaldTrump · May 14

China will be pumping money into their system and probably reducing interest rates, as always, in order to make up for the business they are, and will be, losing. If the Federal Reserve ever did a "match," it would be game over, we win! In any event, China wants a deal!



Donald J. Trump @realDonaldTrump · May 14

....of the tremendous ground we have lost to China on Trade since the ridiculous one sided formation of the WTO. It will all happen, and much faster than people think!



Donald J. Trump @realDonaldTrump · May 14

When the time is right we will make a deal with China. My respect and friendship with President Xi is unlimited but, as I have told him many times before, this must be a great deal for the United States or it just doesn't make any sense. We have to be allowed to make up some....

spending with our Great Patriot Farmers (Agriculture), which is a small percentage of total Tariffs received, and distribute the food to starving people in nations around the world! GREAT! #MAGA



Donald J. Trump @realDonaldTrump · 4h

....Different opinions are expressed and I make a decisive and final decision - it is a very simple process. All sides, views, and policies are covered. I'm sure that Iran will want to talk soon.



Donald J. Trump @realDonaldTrump · May 14

China buys MUCH less from us than we buy from them, by almost 500 Billion Dollars, so we are in a fantastic position. Make your product at home in the USA and there is no Tariff. You can also buy from a non-Tariffed country instead of China. Many companies are leaving China.....



Donald J. Trump @realDonaldTrump · May 13

..There will be nobody left in China to do business with. Very bad for China, very good for USA! But China has taken so advantage of the U.S. for so many years, that they are way ahead (Our Presidents did not do the job). Therefore, China should not retaliate-will only get worse!



Donald J. Trump @realDonaldTrump · May 12

China is DREAMING that Sleepy Joe Biden, or any of the others, gets elected in 2020. They LOVE ripping off America!



Donald J. Trump @realDonaldTrump · May 13

I say openly to President Xi & all of my many friends in China that China will be hurt very badly if you don't make a deal because companies will be forced to leave China for other countries. Too expensive to buy in China. You had a great deal, almost completed, & you backed out!



Donald J. Trump @realDonaldTrump · May 14

Billions of Dollars, and moving jobs back to the USA where they belong. Other countries are already negotiating with us because they don't want this to happen to them. They must be a part of USA action. This should have been done by our leaders many years ago. Enjoy!



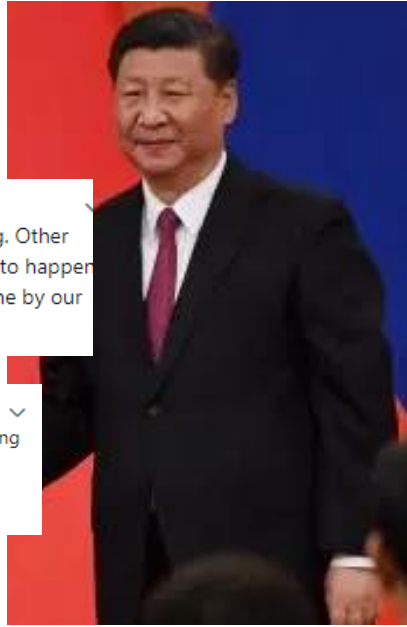
Donald J. Trump @realDonaldTrump · May 13

Has anyone noticed that all the Boston @RedSox have done is WIN since coming to the White House! Others also have done very well. The White House visit is becoming the opposite of being on the cover of Sports Illustrated! By the way, the Boston players were GREAT guys!



Donald J. Trump @realDonaldTrump · May 14

We can make a deal with China tomorrow, before their companies start leaving so as not to lose USA business, but the last time we were close they wanted to renegotiate the deal. No way! We are in a much better position now than any deal we could have made. Will be taking in.....



Australia, the UK and EU all face change



Budget 2019

The Wellbeing Budget

Dr Ganesh Nana
Chief Economist

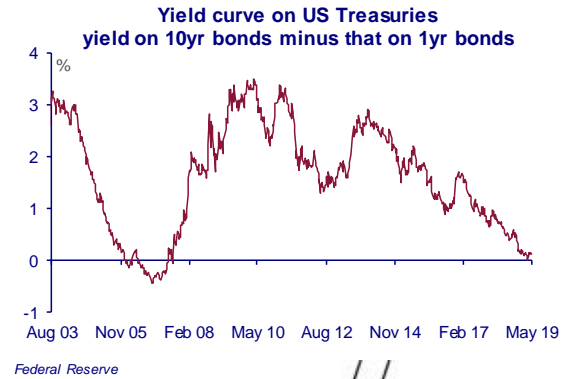
The political imperative



Economic noise

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A weakening
global
expansion.



OECD INTERIM
ECONOMIC OUTLOOK
*Global growth weakening as
some risks materialise*

6 March 2019

Laurence Boone
OECD Chief Economist

<http://www.oecd.org/eco/outlook/economic-outlook/>
ECOSCOPE blog: oecdecoscope.wordpress.com

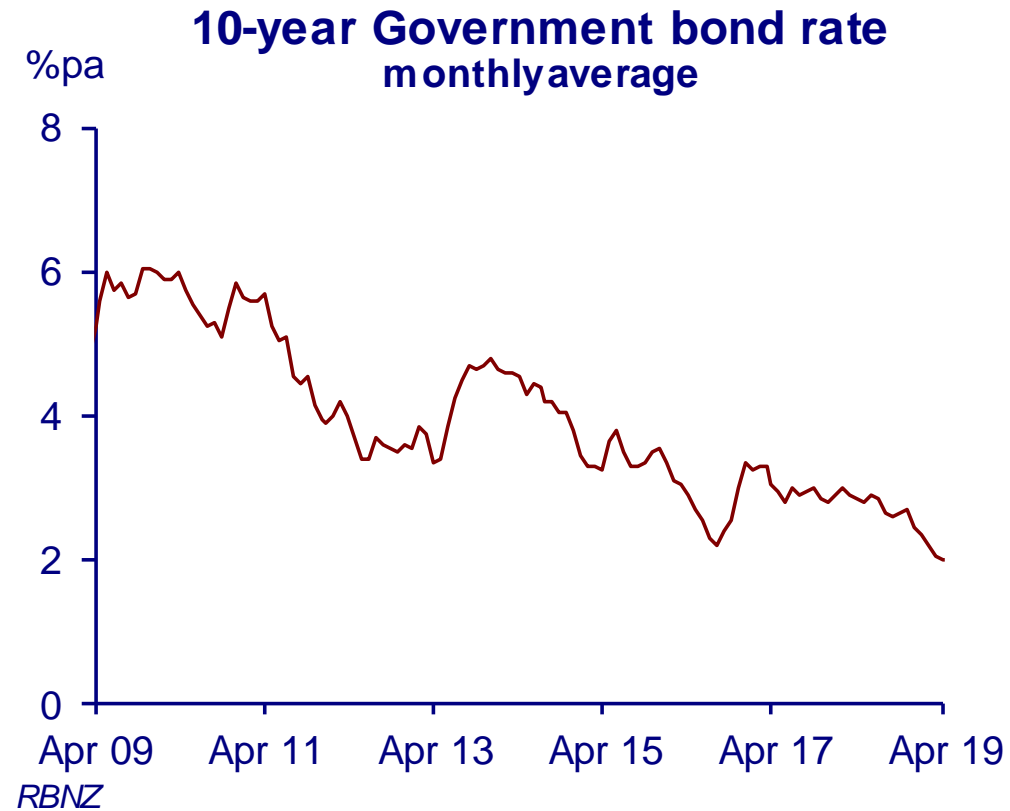


The main shared policy
priority is for countries to
resolve cooperatively and
quickly their trade
disagreements and the
resulting policy uncertainty



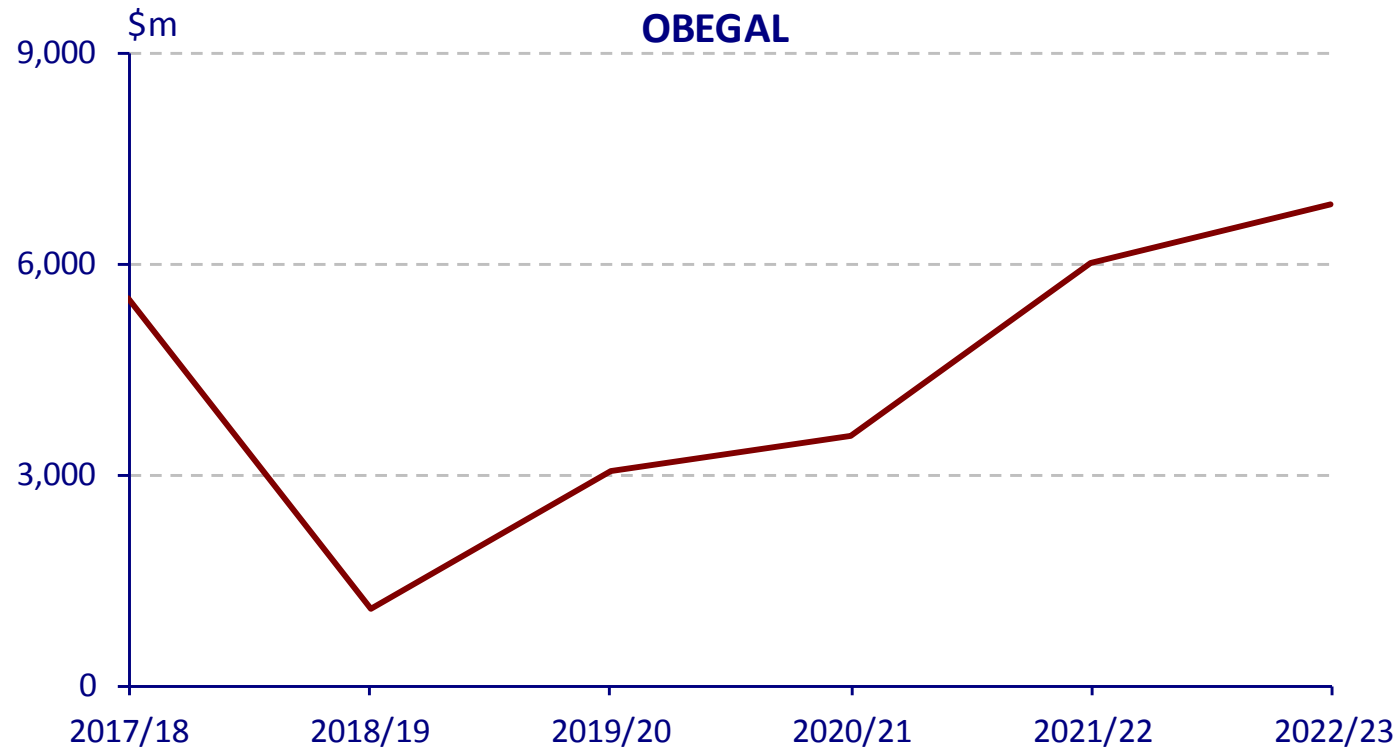
Fiscal policy now critical

(and makes sense)



Wellbeing Budget: can we afford it?

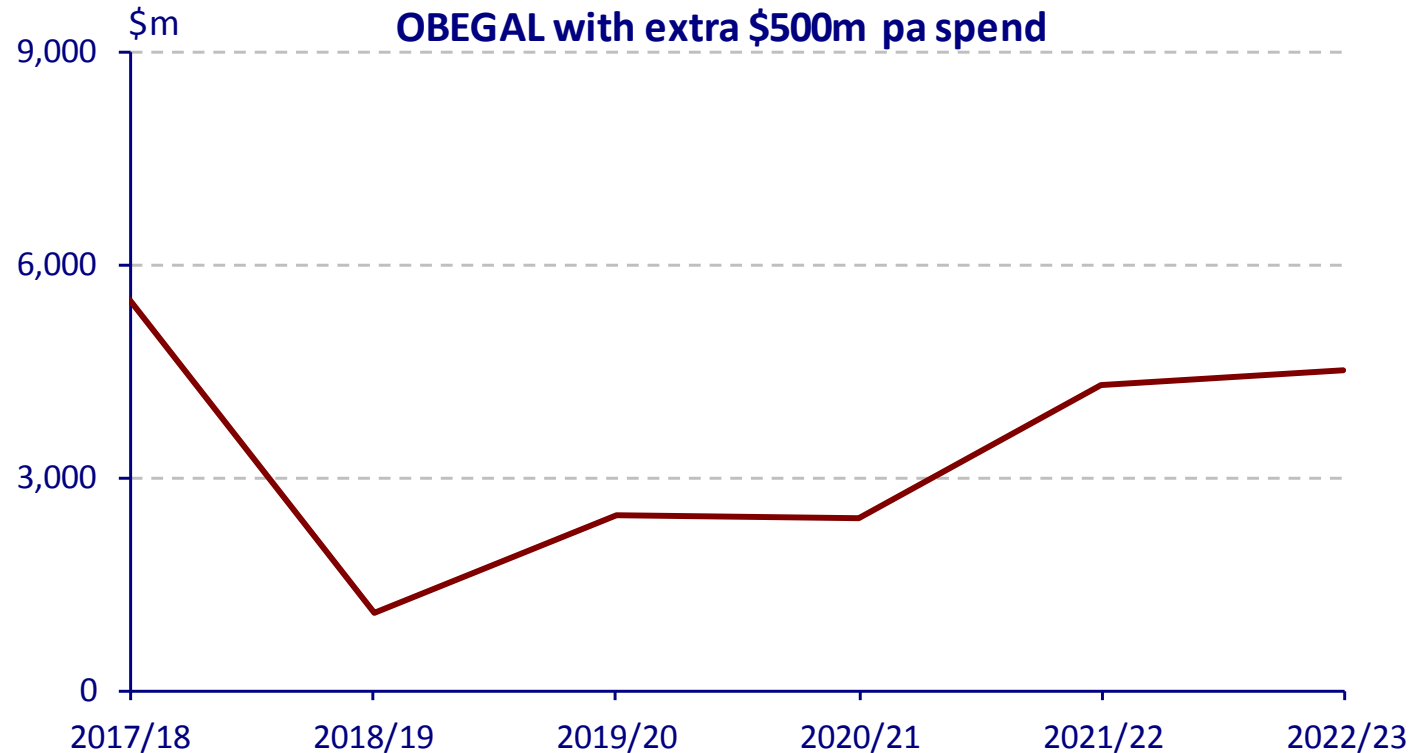
The rainy day surplus



HYEFU

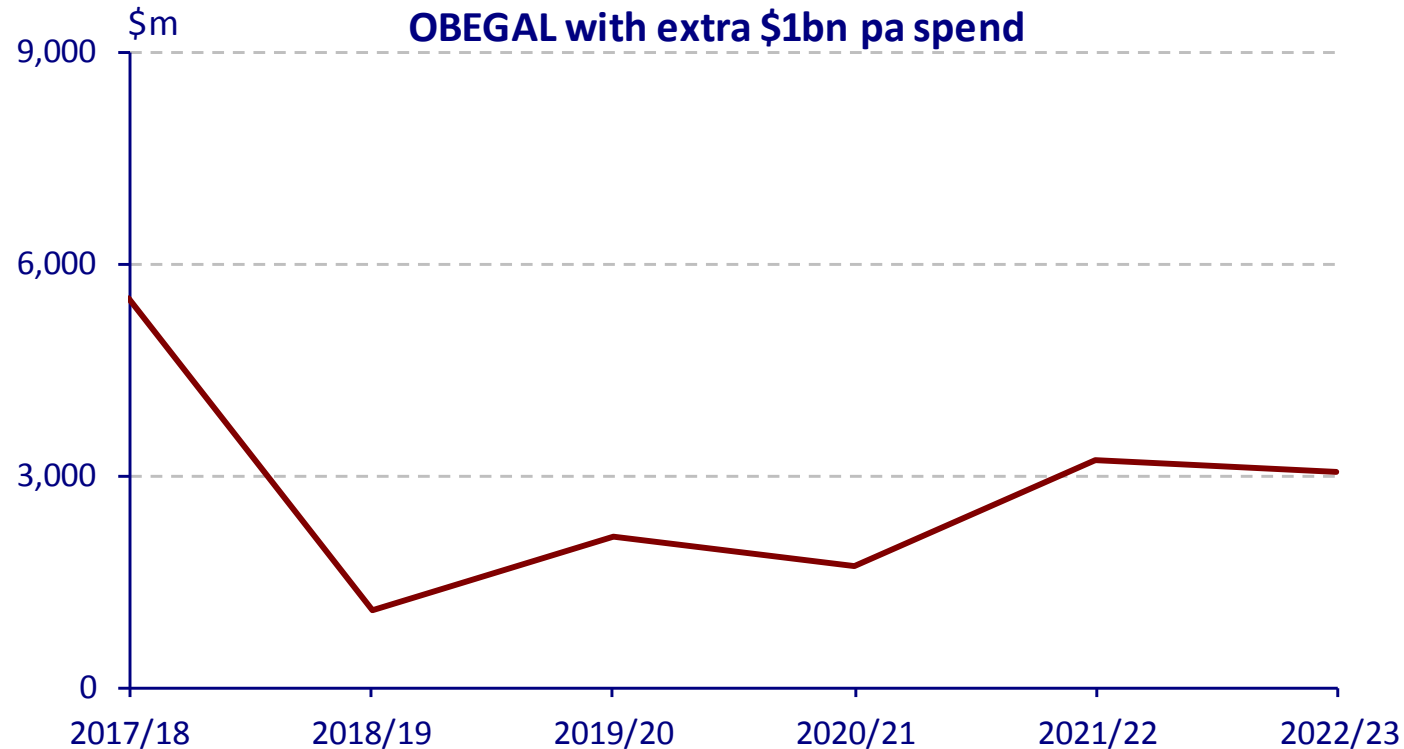
- includes new spending of \$2.4bn per year
- hits debt target a year earlier
- if push debt target to 2021/22 as originally promised then another \$500m per year available

The rainy day surplus



- this scenario is best part of \$3bn per year new spend
- still meets debt 'rule' and still substantive surplus
- if want to push envelope further ...

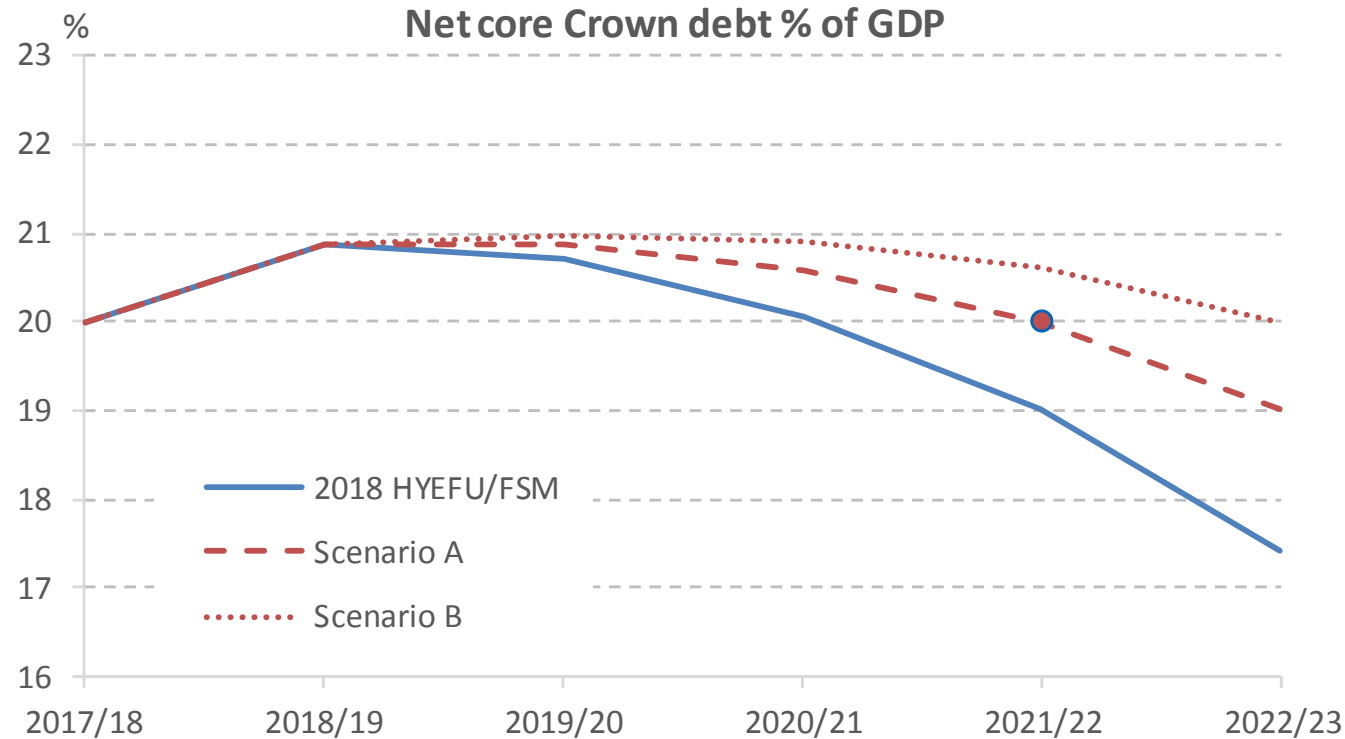
The rainy day surplus



defer debt 'target' to 2022/23, then

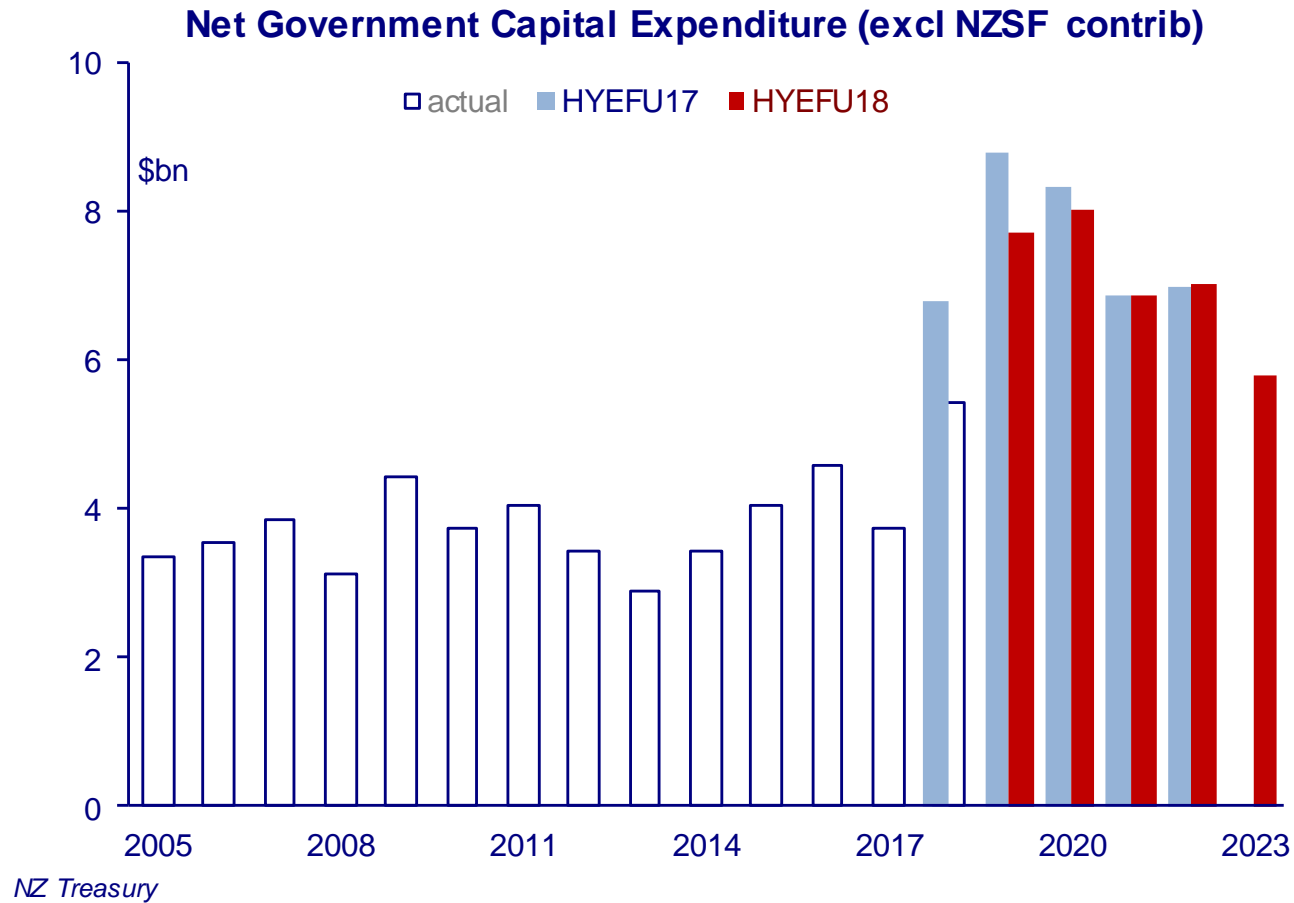
- another \$1bn available per year
- i.e. \$3.5bn new spend per year
- surplus still visible

Huge elbow room around debt



- debt still well under control
- not forgetting this measure excludes assets of NZSF
- including NZSF then net debt close to 0

Budgeted Govt capital spend



The business case for transformation

berl

Economics in state of denial?

δ



measures of
progress
(GDP et al)

climate
change

demographic
upheaval

inequality

social structures
and cohesion

insular world

technology

robotics

gig economy

living wage

synthetic foods

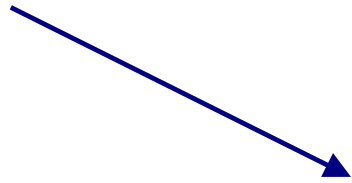
crypto currency

minimum wage

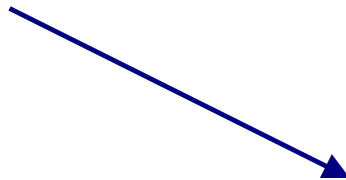
NAIRU and free trade
still drive economic models

The productivity puzzle

productivity



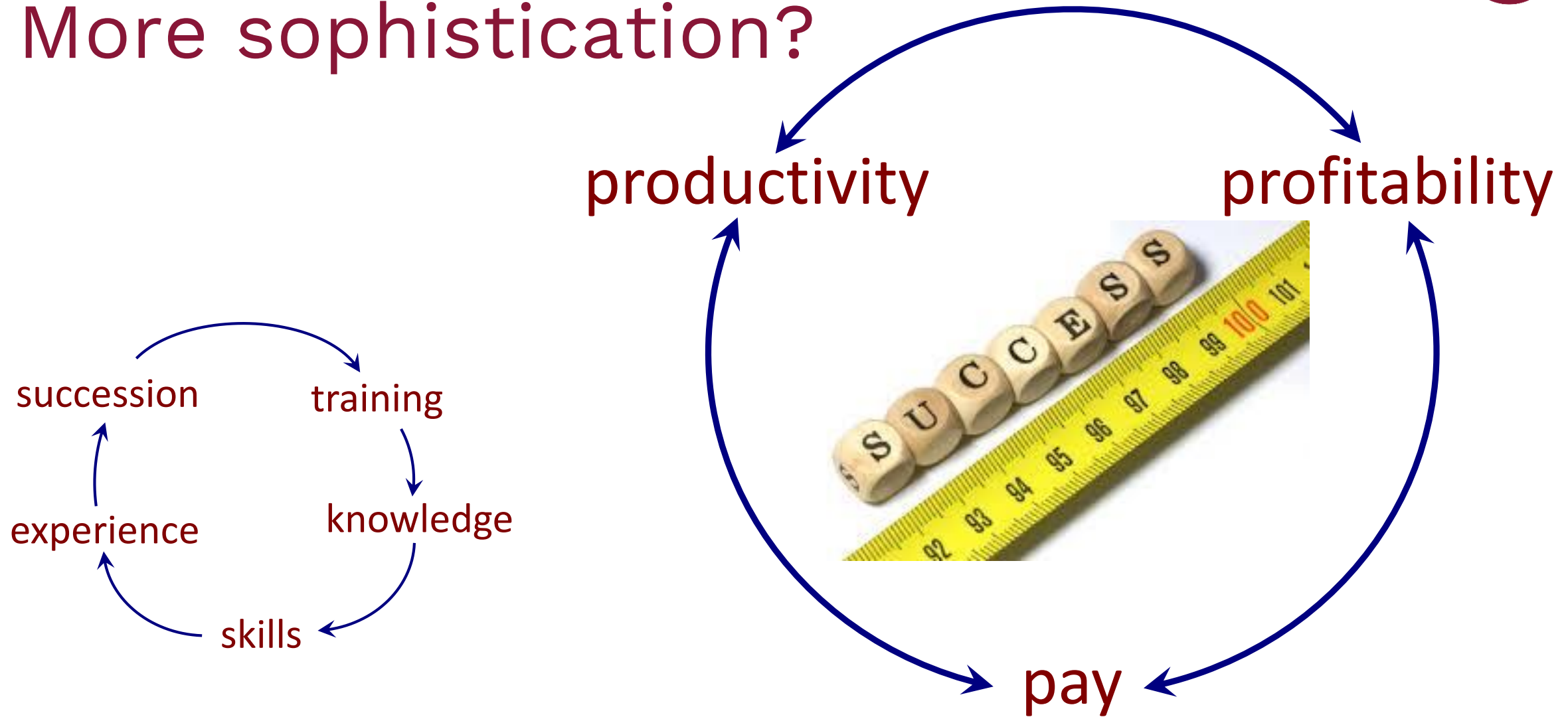
profitability



pay



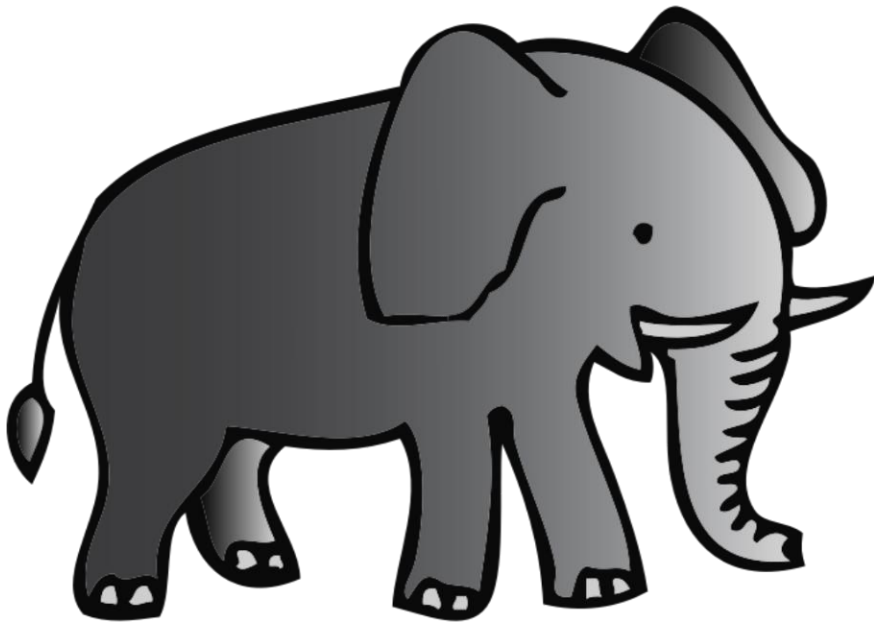
More sophistication?



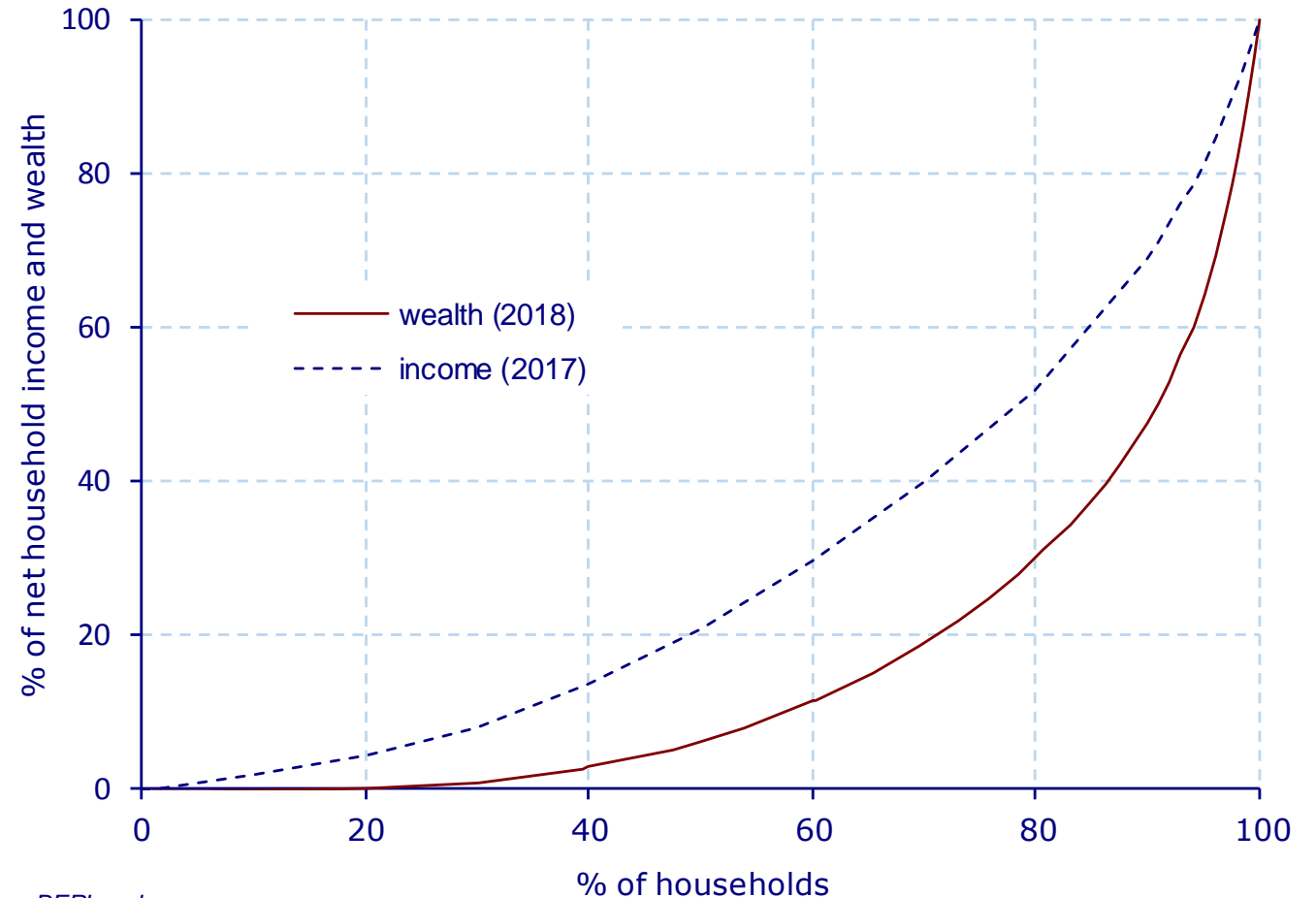
Papatūānuku



Elephant in room



Distribution of household income and wealth



BERL calcs

