

## Chief Economist commentary on the Auckland Economic Update

We are in extraordinary times. The data does not yet fully reflect this as the biggest impact has occurred in late March, and we are less than halfway into the initially mandated lockdown period.

Consumer Confidence data for the March quarter shows optimism had already started to plummet. But other measures will look fairly stable even when March data becomes available, because they are calculated across the whole quarter, or remained strong until the lockdown. These could likely include house sales and prices, employment and unemployment.

April and beyond will show a much harsher picture. The June quarter will show dramatic declines in GDP, retail sales, and employment, and a significantly higher unemployment rate, even if the lockdown ends after a month, which is very much a “maybe”.

Longer-term, political and economic imperatives mean businesses, schools and homes cannot be shut indefinitely, even if Covid-19 remains a risk. It is hard to see how the economy at large could viably be kept under its current restrictions beyond June 2020. But when we do begin to open up again, we will likely see a step-by-step re-opening, not a zero-to-hero type recovery. This means higher unemployment, and slower growth in employment than the pace at which it fell, will occur.

Tourism businesses with an overseas-orientation will remain particularly hard hit although if Covid-19 is kept to manageable levels in New Zealand, we may see a boom in domestic tourism as New Zealanders choose or are pushed not to travel overseas by quarantine rules.

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