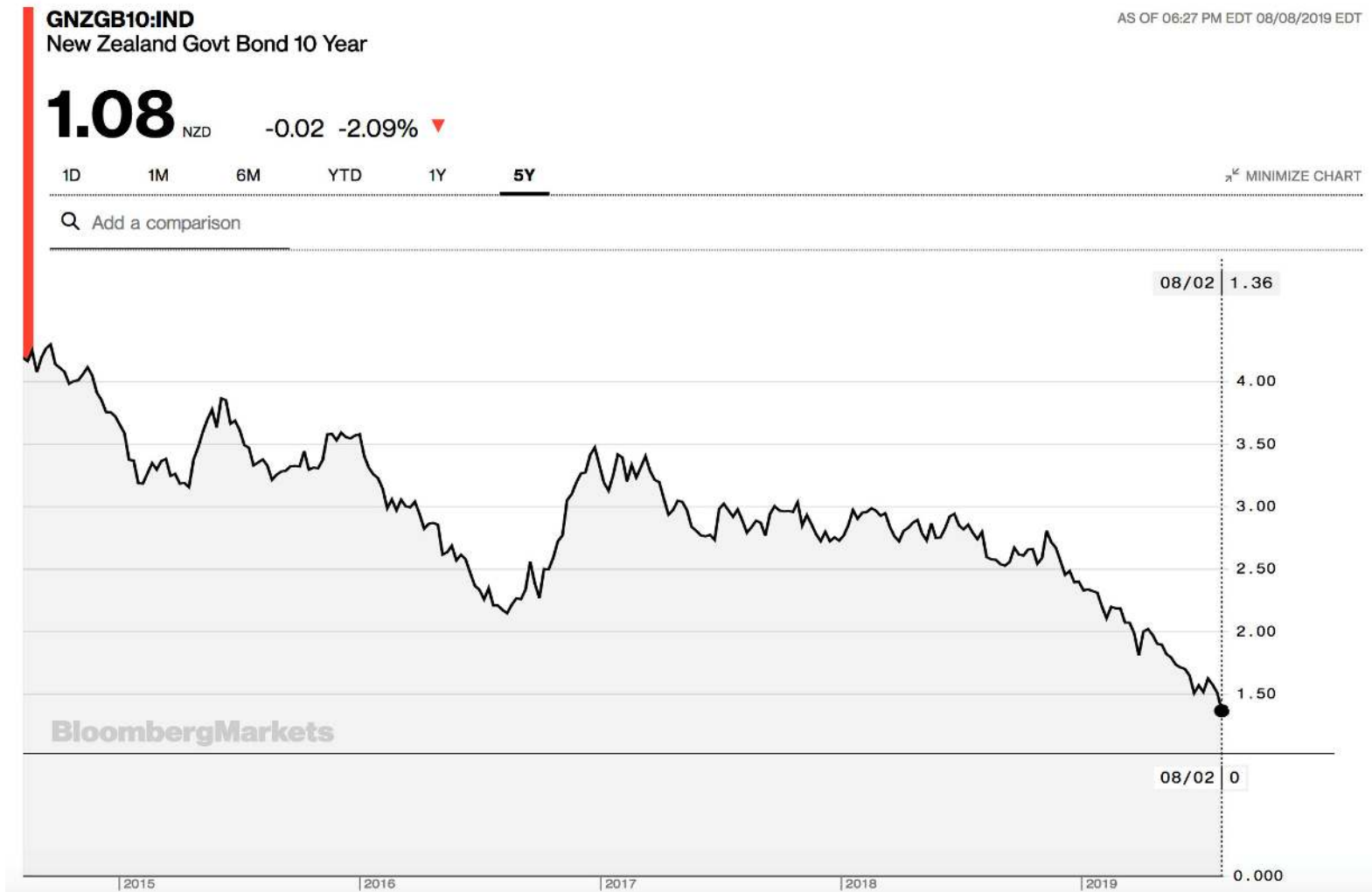


# The 2023 election result?



Potatoes NZ, Aug 14, Bernard Hickey, Christchurch

# The most amazing chart in NZ



Potatoes NZ, Aug 14, Bernard Hickey,  
Christchurch

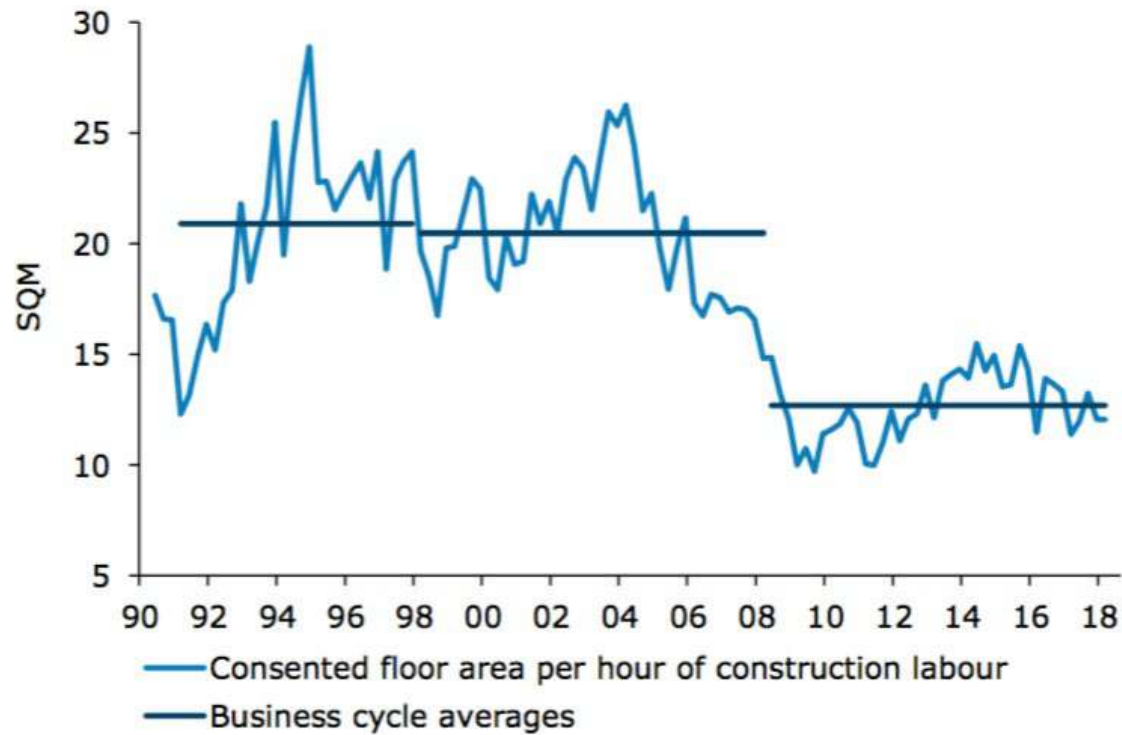
# A conservative coalition. Again?



- The political and economic outlooks
- Migration surge without infrastructure built
- An opportunity of a lifetime
- That the Government should grab now
- Instead, they will wait until after 2020
- We have an infrastructure deficit
- At least \$100b over 10 years needed
- Our deeper structural issues
- A infrastructure funding Catch 22
- What the Government is doing
- What it should do (hint: Borrow 10% GDP)

# A construction productivity crash

**Figure 2: Floor area per hour of construction work  
(based on residential and non-residential consents)**

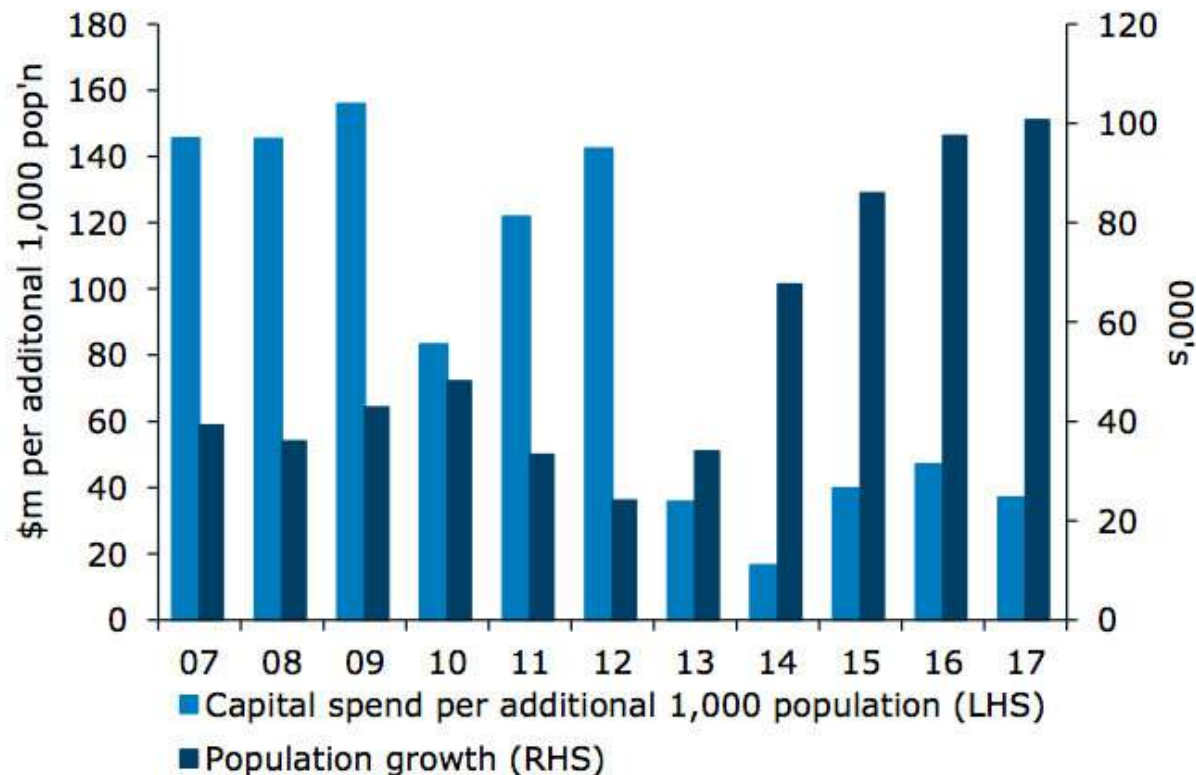


Source: ANZ Research, Stats NZ

Potatoes NZ, Aug 14, Bernard Hickey,  
Christchurch

# So far behind the curve

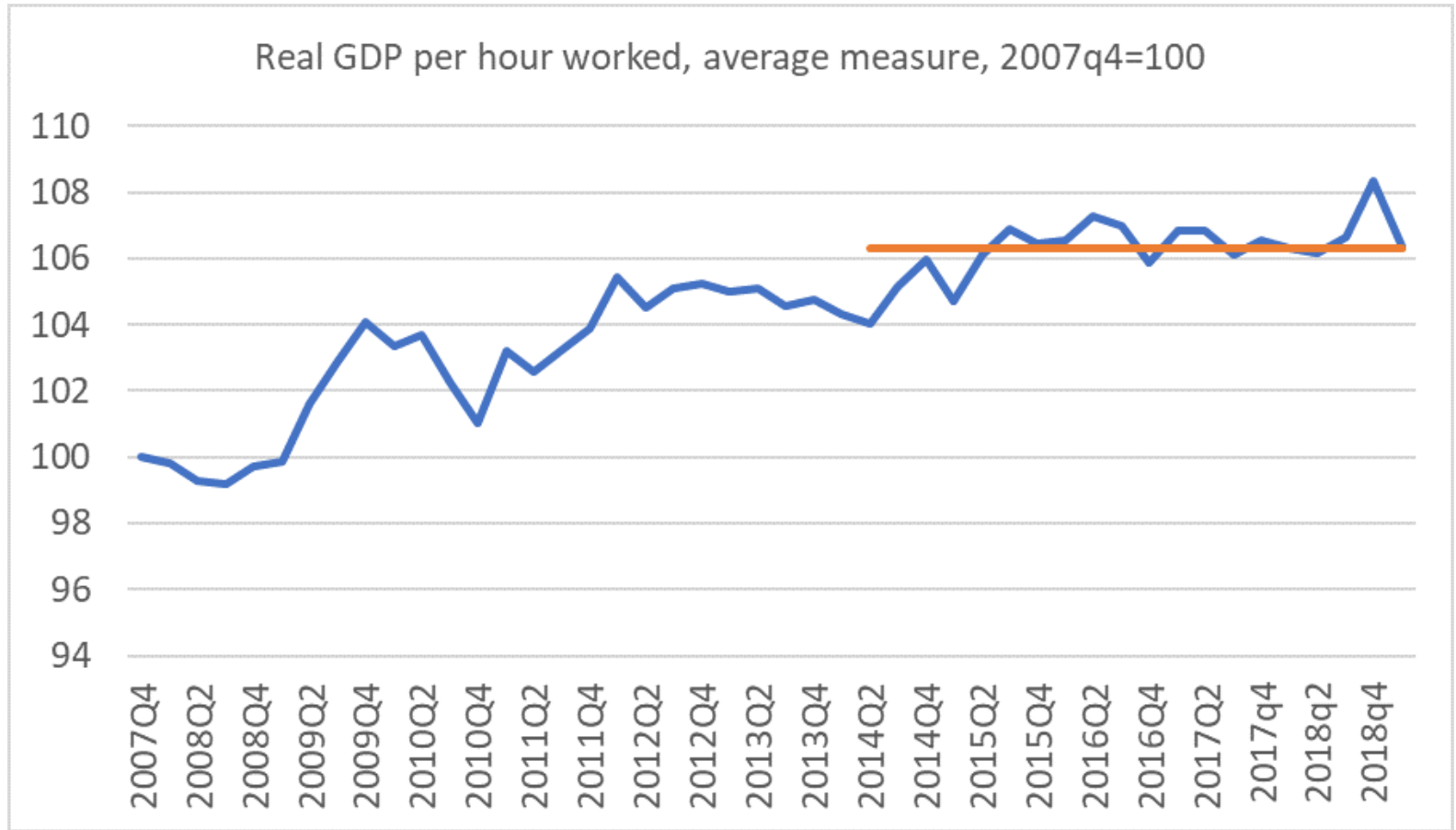
**Figure 1: Net core Crown capital spend per additional 1,000 people and population growth (fiscal years)**



Source: The Treasury, ANZ Research

Potatoes NZ, Aug 14, Bernard Hickey,  
Christchurch

# Stagnating output per hour





# We're just not building enough

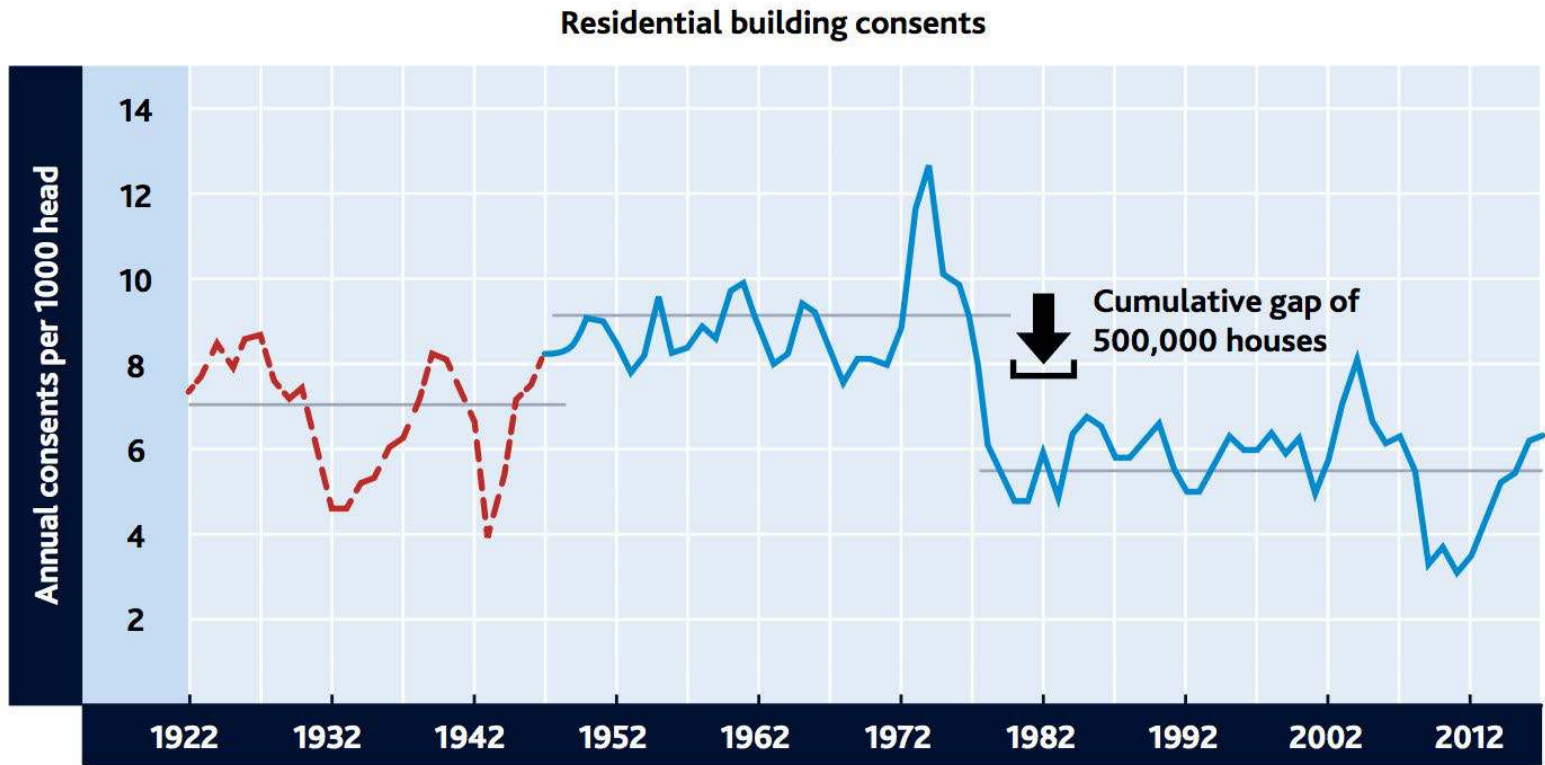


Figure 3: Residential building consents, 1922-2016 (Sense Partners)

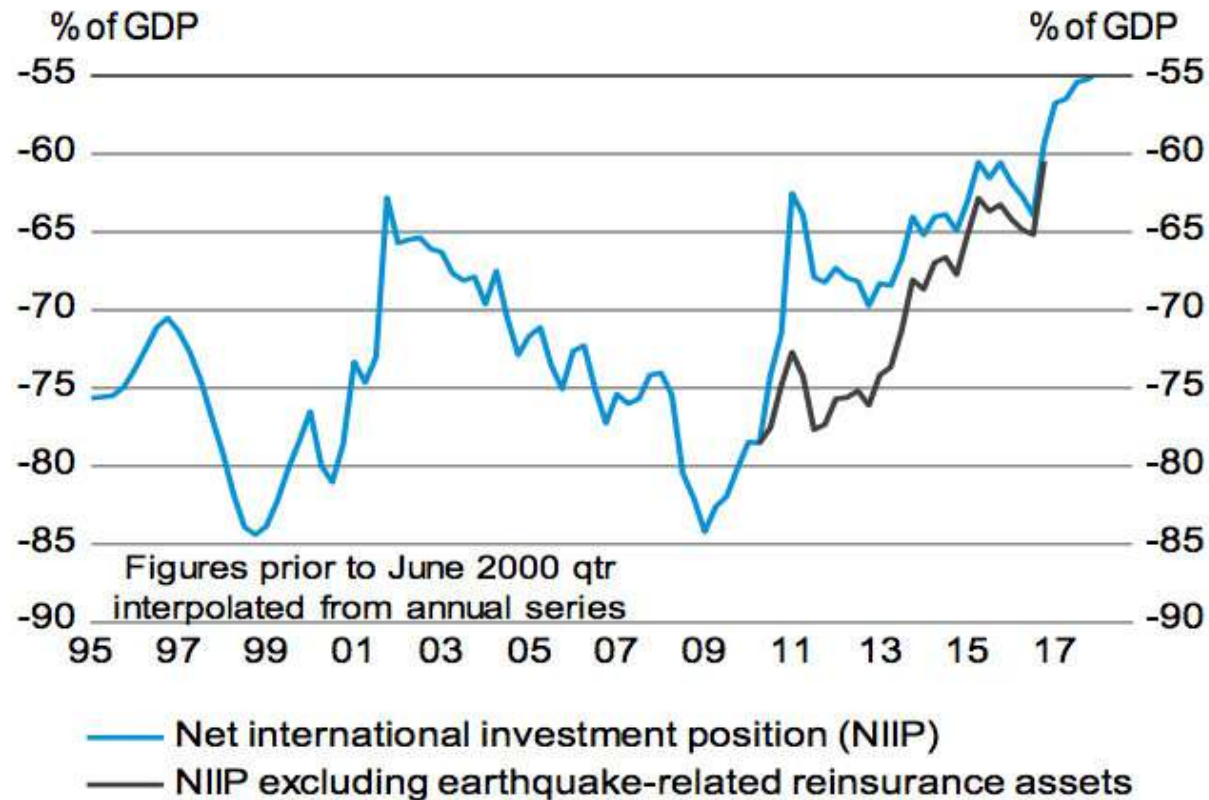
**Key:**

- Current definition
- - - Estimated from Urban data



# A wealthier nation

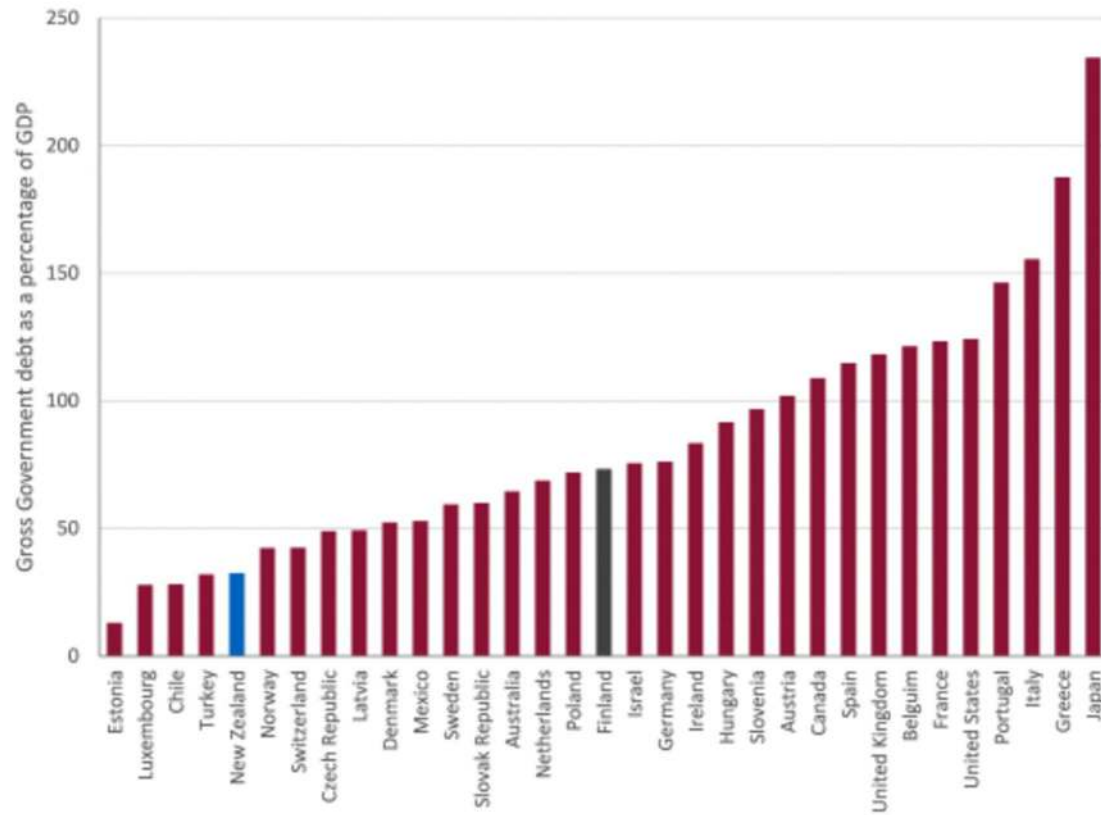
## Net Foreign Assets



Source: Statistics New Zealand, The Treasury

Potatoes NZ, Aug 14, Bernard Hickey,  
Christchurch

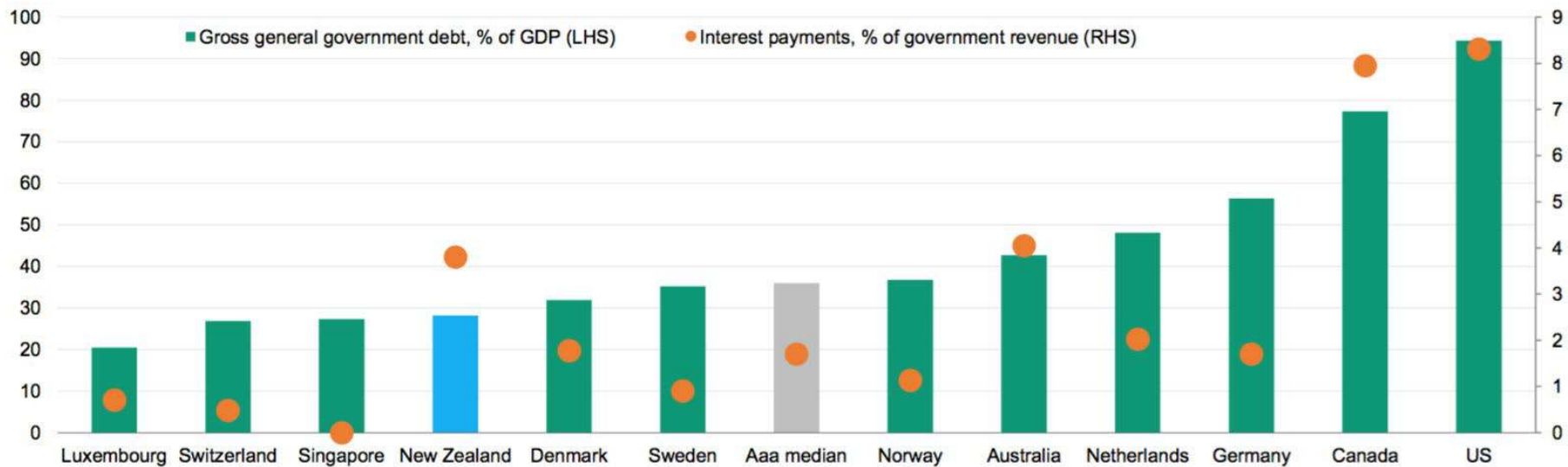
# Debt much lower than the rest



Potatoes NZ, Aug 14, Bernard Hickey,  
Christchurch

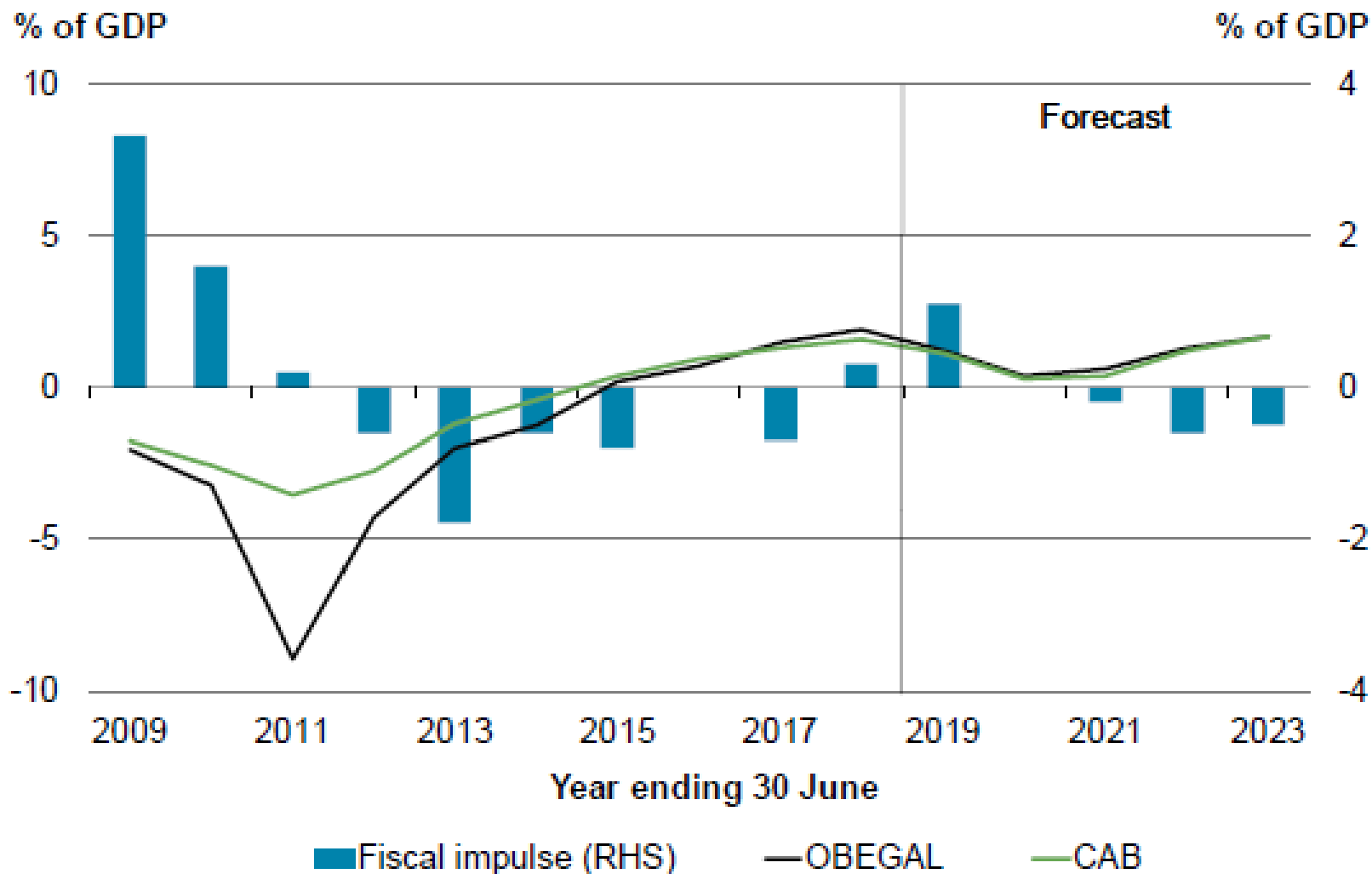
# Even lower than our AAA peers

New Zealand maintains a stronger fiscal position than many Aaa-rated sovereigns  
(Key fiscal metrics, average over 2019 and 2020)



Sources: National authorities, IMF, Moody's Investors Service forecasts

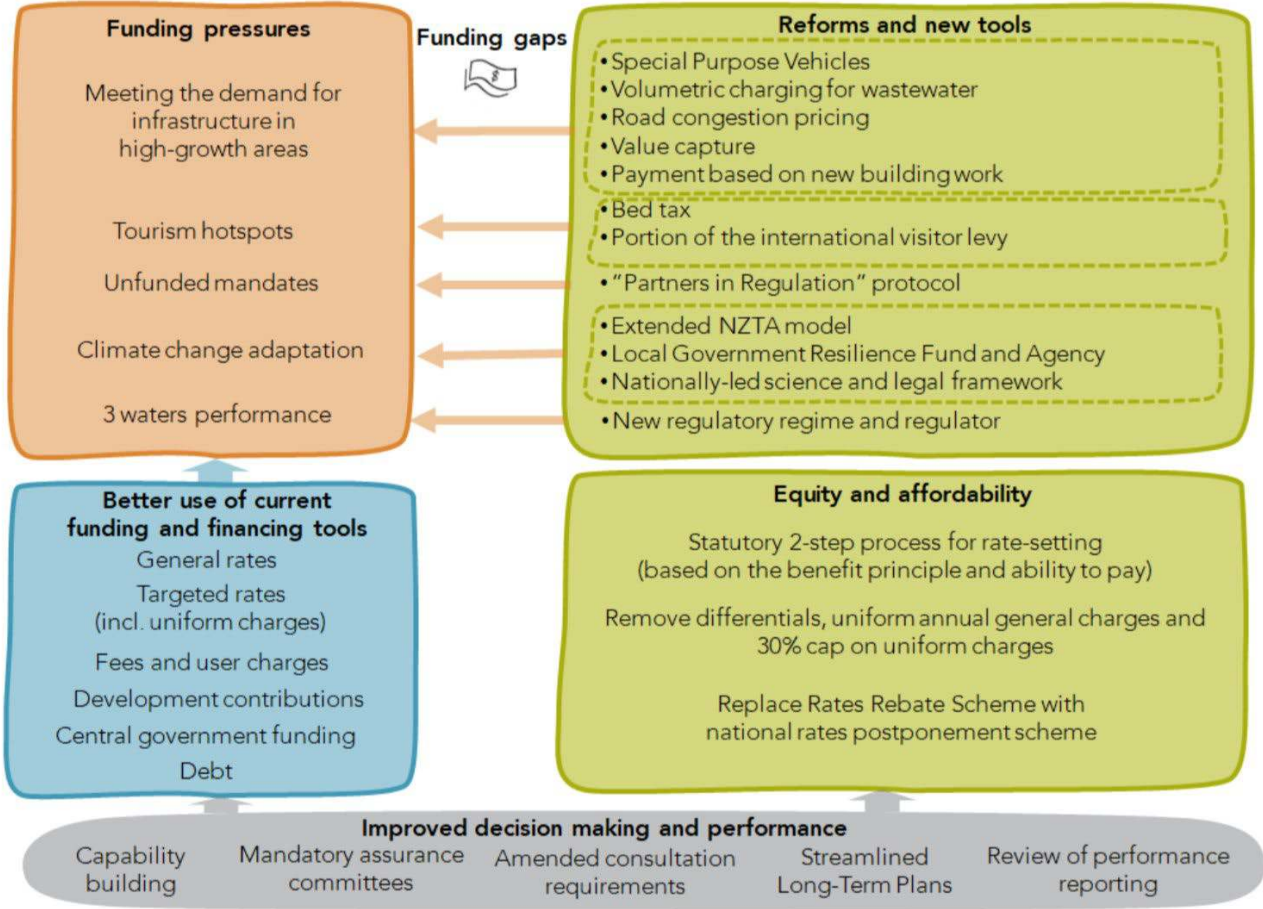
# Yet a negative fiscal impulse of 1.2% of GDP by 2023



- Fund two light rail lines + UDAs
- 500,000 new homes NZ-wide
- Auckland hospitals, schools, roads
- Golden triangle rail upgrade
- A new port at Firth of Thames
- A just transition for public transport
- \$1 bus and train fares
- Electric cars/bikes/scooters
- Substituted for Isuzu Bighorns
- One car, two bikes, three scooters
- Only cost \$15k

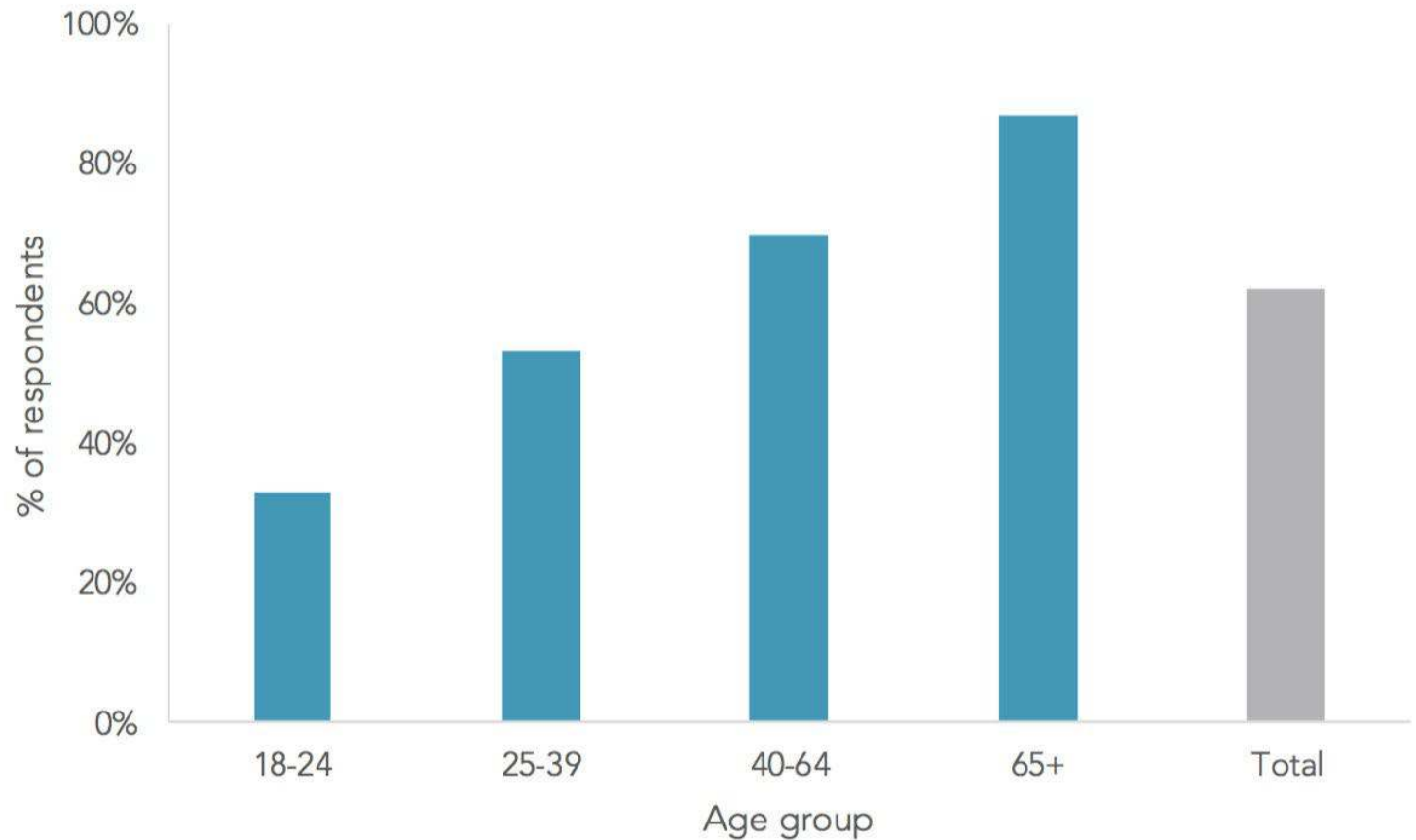
# Growth won't pay for growth

Figure 0.4 Improving local government funding and financing



# Old leafies won't allow it

Figure 5.11 Incidence of voting by age, 2010 Auckland local elections



Source: Stones-Havas, 2015.

Potatoes NZ, Aug 14, Bernard Hickey,  
Christchurch



- Monetary policy needs mates
- OCR at minus 0.5% by 2020 election?
- Banks unlikely to pass it all on
- Then what?
- Money printing?
- To buy what? Hardly any bonds.
- Buy mortgage bonds? Property?
- QE for the people another option
- But let's not let it get to that

# A conservative coalition. Again



Potatoes NZ, Aug 14, Bernard Hickey, Christchurch

- Sticking to 20 percent net debt target
- Been in place since the late 1990s
- Put there by Robertson's mentor
- The last Labour Finance Minister
- They see New Zealand as vulnerable
- To economic and physical shocks
- Thinking like it's still 1989. It's not.
- Floating NZ\$. Reinsurance. Lower total debt
- Much stronger than others in relative terms
- A new round of money printing is coming
- Shouldn't we use that to improve wellbeing?