



# Improving Economic Resilience: Issues Paper

Enhancing the economic resilience of industries and communities to persistent supply chain disruptions

28 February 2023

# Supply chain disruptions are set to continue

## Economic factors

- Escalating freight costs and congestion in the post-pandemic environment
- Movement towards just-in-case supply chain management by increasing stockpiles
- Emissions pricing in ways that incentivise localised supply chains

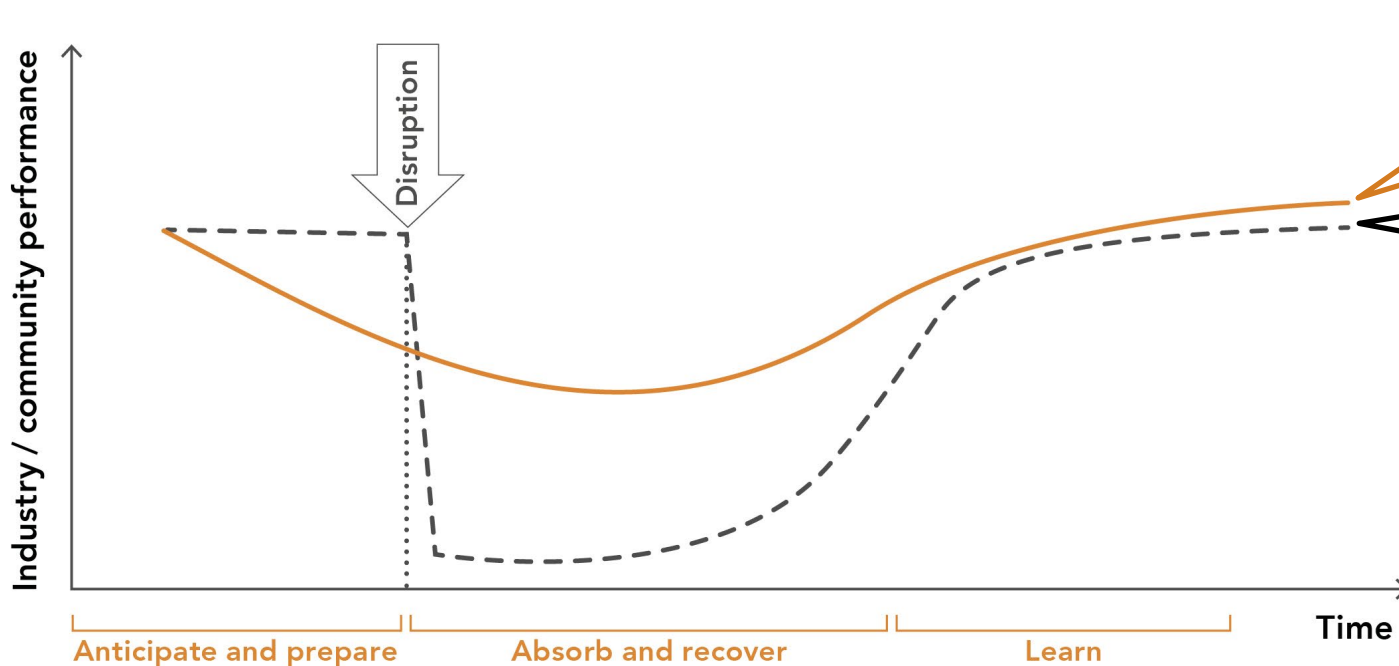
## Socio-political factors

- Greater use of protectionist industry policy towards goods considered sensitive or strategic
- Countries shift towards domestic production due to increasing global political volatility
- Growing tensions between the United States and China, with flow-on impacts to trading partners

- Supply chains underpin NZ prosperity and living standards
- Supply chain disruptions are likely to increase in future
- NZ is “last bus stop” and has few ways to make global supply chains more resilient
- To get ahead of volatile future NZ industries and communities need to prepare and adapt

# Proactive action can enhance economic resilience

**Economic resilience:** the capacity of industries and associated communities to anticipate, prepare, absorb, recover and learn from supply chain disruptions



## Proactive scenario:

preparation: reduces impacts, but has costs

## Reactive baseline scenario:

no preparation: no costs, but larger impacts

Shift to a proactive approach is complicated by:

- Trade-offs: efficiency now vs resilience tomorrow; new normal better or worse than status quo
- Uncertainty: what shocks, what works, who pays

Collaborative governance is needed for informed decisions on proactive actions

# Inquiry focuses on medium-term industry strategies

## Short-term

6 to 12 months

Critical supply chains with dedicated resilience arrangements for continuity.

- Fuel supply resilience (MBIE)
- Financial Stability (RBNZ)
- Pharmaceuticals and medical (Pharmac)

## Medium-term

1 to 10 years (this inquiry)

Medium-term strategies.

- Supply chains that cover essential and/or significant imports or exports
- Sectors where supply chains are highly concentrated or hold specific interdependencies
- Policies shaping resilience of crucial export and import industries

## Long-term

10+ years

Physical and social infrastructures underpinning supply chains.

- Long-term freight strategy (MoT and Infrastructure Commission)
- Indo-Pacific Economic Framework for Prosperity (MFAT)

### Start with the focus on:

- Food/beverage
- Agriculture
- Forestry
- Fishing
- Construction
- Manufacturing
- Tourism
- Digital

# Inquiry can add value to policy portfolio



- Economy-wide view based on
  - Modelling of disruption impacts on industries and communities
  - Review of import and export concentrations in trade data
  - Firm-level resilience research based on IDI micro data
- Case studies of industry vulnerability and resilience
- Interaction with short- and long-term resilience strategies
- Outlook for future disruptions

# Inquiry can add value to policy portfolio

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- Current policies in New Zealand
  - Overview of the existing policy portfolio
  - Role of Māori economy in enhancing resilience
  - Compare the eight selected industries
- Historical New Zealand experience with adaptation to structural shifts
- Past New Zealand Productivity Commission inquiries
- Overseas resilience policies

# Inquiry can add value to policy portfolio

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- Policy recommendations
  - Complement existing policies with a resilience lens that fit the NZ context
  - Focus on industry private-public conversation and collaboration
  - Support industry conversations with data and intelligence on vulnerabilities
- Industry-specific recs gained from the comparison of Industry Transformation Plans and related sectoral policies

# We need New Zealand to respond

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1. What supply chain disruptions are you worried about?
2. What is your industry/community currently doing or planning to do to address supply chain concerns?
3. How can the government help to enhance the resilience of your industry/community to supply chain disruptions?
4. What should the Commission study to learn more about the economic resilience of industries and communities?



# Ways to respond

## We would like to hear from you

### Make a submission

We welcome information and comment on any or all of the questions in this issues paper.

### How to submit?

Anyone can make a submission. It can be a short note or a more substantial document. Submissions are welcomed until **17 April 2023**.

### Why submit?

Your insights will help us to understand issues and identify useful research to make decisions and recommendations.

You can answer questions online at [www.surveymonkey.com/r/resilientNZ](https://www.surveymonkey.com/r/resilientNZ), make an online submission at [www.productivity.govt.nz/have-your-say/make-a-submission](https://www.productivity.govt.nz/have-your-say/make-a-submission), or email [info@productivity.govt.nz](mailto:info@productivity.govt.nz)

