

# Economic Resilience Inquiry Workshop

24 November 2022 (9.00am-10.30am)

Not for quoting or citation – Trade data checking is not yet complete

[www.productivity.govt.nz/inquiries/resilience/](http://www.productivity.govt.nz/inquiries/resilience/)



# Agenda

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1. Dr Ganesh Nana (5 mins)
2. Ben Temple introducing the topic and approach to the inquiry (10 mins)
3. Brian Easton lessons from past disruptions and responses (10 mins)
4. David Skilling challenges for future resilience-enhancing trade and policy (20 mins; via Zoom)
5. Panel: reflections and recs for resilience-enhancing industry policy (20 mins)
  - Catherine de Fontenay (APC)
  - Craig Renney (CTU)
  - Bryan Chapple (ComCom)
  - Philip Stevens (NZPC)
6. Comments and questions from participants (20mins)
7. Julian Wood acknowledgements and next steps (5 mins)

# Purpose and analysis

## Data analysis

Identify potential vulnerabilities through:

- Trade data filtering, vulnerable, critical, essential...
- Stress testing of disruption – role for CGE modelling of shocks
- Essential goods & services lists from COVID-19

## Sectoral policy portfolio analysis

Analyse 50+ sectoral policies to identify a role for specific resilience initiatives

- Gaps? Where is current government activity focused?
- How is efficiency and resilience or robustness balanced?
- Examples of previous choices

## Resilience framework

Develop a framework for assessing resilience and policy options for exposed industries communities, based on:

- NZ and international research, experience
- Insights from various disciplines, including logistics and mgmt.

## Purpose

Identify policy interventions enhancing the resilience of NZ economy and living standards to supply chain disruptions.

- Fit for NZ industries and communities
- Clarity for potential public-private collaboration
- Informed by constraints (not just do more but do better)

# Purpose and definitions

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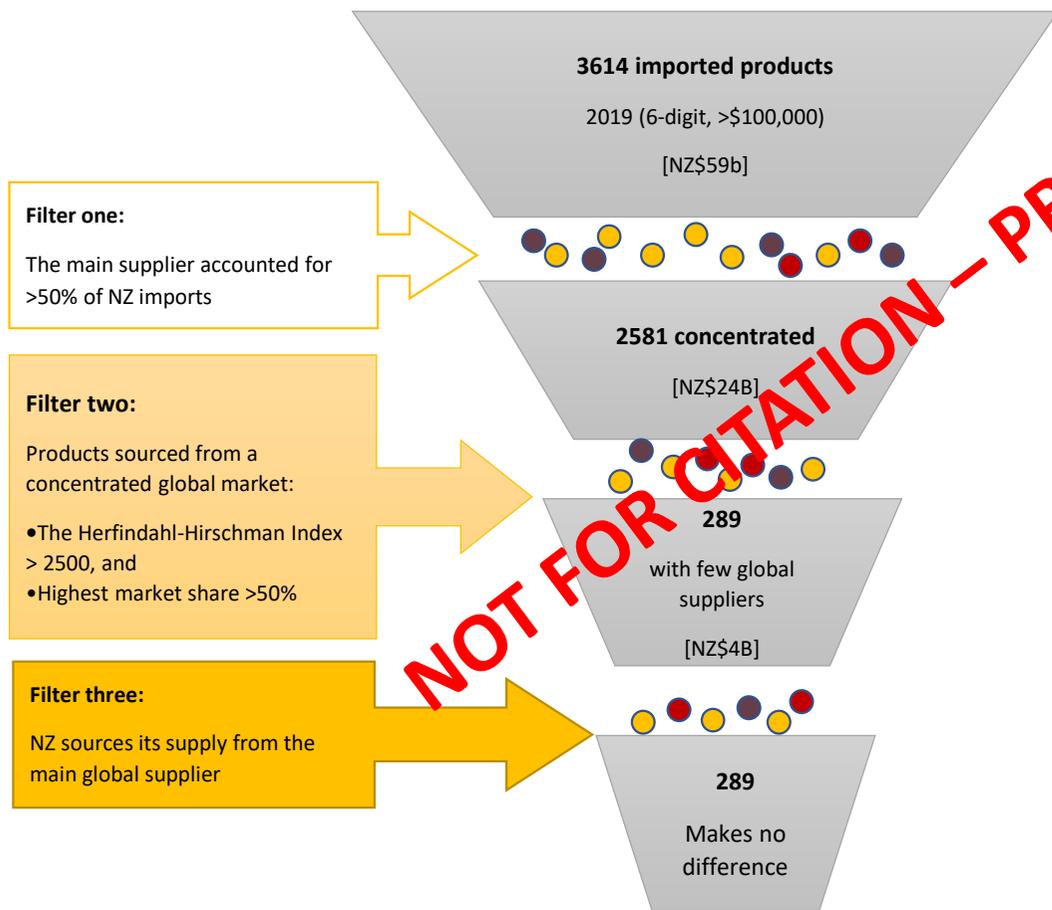
- Economic resilience = anticipate + prepare + absorb + recover + learn
- Capacity to reach a new equilibrium, not status quo ante
- Supply chain logic: value in reliability of service, not just quality of product
- Te Ao Māori perspective: (preliminary)
  - Limits to substitutability
  - Social investment horizons > private
  - Importance of relationships, reciprocity, and collective value
  - Value rooted in land

# Are we overreacting?

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- Which risks are temporary and which persist? How to distinguish?
  - There is ample recent evidence of increasing frequency, magnitude, and persistence of supply chain disruption.
  - However, recently there were some improvements.
- Is some optimism warranted or shall we stick to a doom and gloom narrative?
- How should we think about positive versus negative shocks?

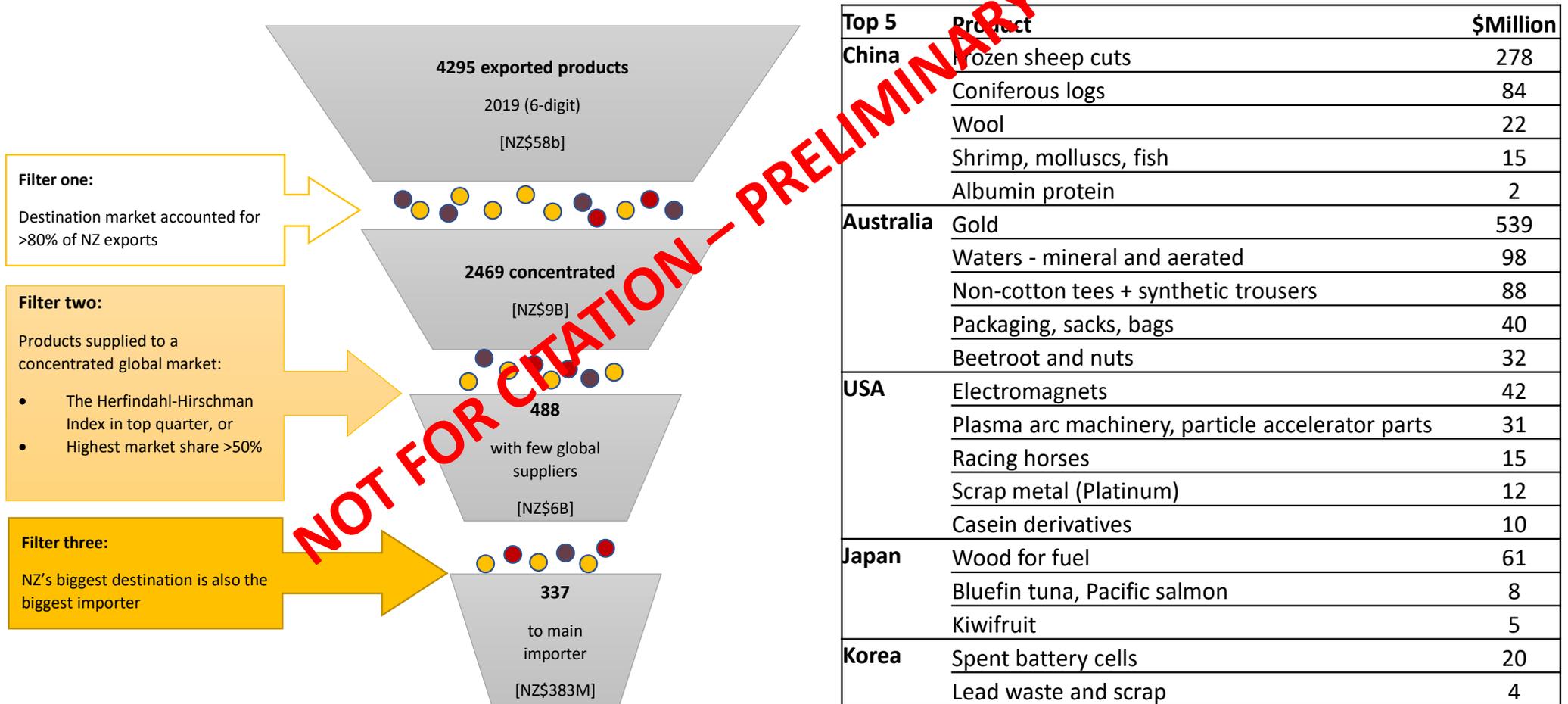
# Filtering process for imports (Preliminary results)



NOT FOR CITATION – PRELIMINARY RESULTS

Top 5	Detail of HSC2 category products	Total CIF (\$ Millions)
<b>China</b>	Telephones and communication apparatus	2497
	Data processing machines	2269
	Seats, bed, chandeliers	855
	Polymers, sacks, packaging etc	643
	Jerseys and Tees	592
<b>Australia</b>	Processing machines and fans	448
	Aluminium oxide and copper oxide	417
	Transport vehicles, tractors, trailers	400
	Kraft paper	363
	Sauces, extracts, essences etc	358
<b>USA</b>	Turbines + agricultural machinery	1873
	Cars and motorbikes	660
	Surgical, dental, navigation tools	586
	Panels, consoles, and comms apparatus	344
	Planes and their parts	272
<b>Japan</b>	New and used cars	2446
	Excavators, turbines, loaders	645
	Cameras and lamp carbons	124
	Surgical, dental, navigation tools	62
	Tyres	56
<b>Germany</b>	New and used cars	853
	Turbines and lifting related	733
	Aeroplanes and helicopters	647
	Medicaments and immunological products	187
	Surgical, dental, navigation tools	170

# Filtering process for exports (Preliminary results)



# Policy analysis

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- How should we think about counterfactuals for policy decision-making, in a dynamic economic environment?
- Is there a point in developing a costly risk management? This might just inevitably fight the last “war”.
- Is ad-hocery good enough? Improvised public-private collaboration removing supply chain bottlenecks delivered (at some cost) during COVID
- Should NZ maximise the role of the private sector (e.g. EQC scaling-up; Swiss stockpiling) and minimize the public sector role (given past experience and perceptions of the state’s role in the economy)?

# How might New Zealand be different?

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- Advanced economies pursue the medium-term resilience agenda through manufacturing policy focused on innovation (EVs, AI, chips, pharma).
- NZ economic structure is different, policy would need to be different too. US, EU, or AUS responses focus on re-shoring advanced/innovative manufacturing and securing strategic supplies for these industries.
- Are primary industries' imports/exports exposed to similar risks of supply chain disruptions? Are services industries?
- Does NZ's smaller and less diversified economy increase the potential impact of disruptions and justify greater investments in resilience?

# Timeline



# Back-pocket slides

Resilience inquiry: topic

# Resilience to supply chain disruptions

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- Minister of Finance asked Productivity Commission to conduct an inquiry into...  
**the resilience of NZ's economy to supply chain disruptions**
- ... to **identify policies and interventions that can enhance the resilience** of New Zealand's economy, wellbeing, and living standards to supply chain disruptions.
- The Commission is to apply its independent analytical capacity and engage with stakeholders to define resilience, identify supply chain vulnerabilities, and recommend policy responses that assist in **anticipating, preparing for, responding to, recovering, and learning** from significant disruptions.

# Purpose and specific focus of the inquiry

- complement the existing portfolio of sectoral policies (ITPs)
- complement te ao Māori approach to resilience
- complement short-term (MFAT) and long-term (MoT) work

- economic resilience = anticipate + prepare + absorb + recover + learn
- resilience = capacity to reach a new normal, not status quo ante
- generic resilience to uncertainty, not just predictable scenarios

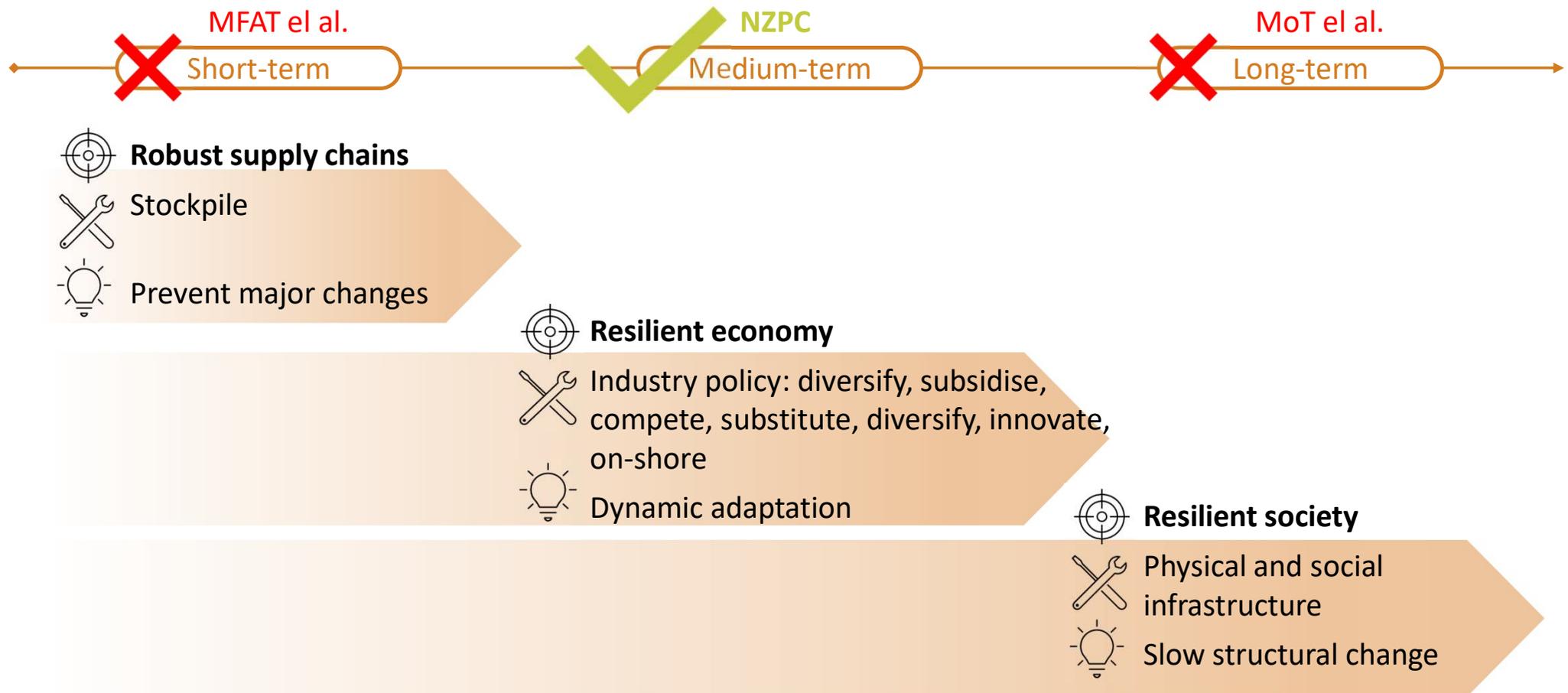
Identify **policies and interventions** that can enhance the **resilience** of **NZ's economy and living standards** to **supply chain disruptions**.

- essential industries, not critical ones (fuels, pharma)
- imports, exports, and domestic supply chains
- living standards of exposed communities

- persistent disruptions, not temporary ones
- full spectrum of disruptions, not just known ones
- major price shocks triggered by any kind of disruption

# Resilience inquiry policy niche

## Medium-term industry policy





# Resilience inquiry

## Question: How should NZ manage supply chain disruptions?

Is there a problem?

- Diverse views about geopolitics, trade, and macroeconomic stability. A lot of productivity relies on stable macro-settings.
- How are we anticipating shocks, and calls for help or support to transition?
- What is the direction of travel, given disruption risks and past lessons?

