



Business

Breaking point

Lockdown costing Auckland economy



\$100m a day

Auckland's Karangahape Rd.
Photo / Dean Purcell

Rahul Bhattarai

Another week of level 4 lockdown is devastating news for Auckland businesses bleeding money while the economic cost to the city continues to mount.

"What was meant to be a short, sharp, three-day lockdown is now moving into its fourth week... [financial] support is limited and will not be enough to stop businesses going to the wall." Retail NZ chief executive Greg Harford said.

Auckland Business Chamber CEO Michael Barnett accused the Government of ignoring the mounting economic and social costs of lockdowns in its response to Covid-19 and the Delta outbreak.

"Auckland cannot afford to stay in alert level 4. We're bleeding tens of millions of dollars each week but there are social and personal impacts negatively impacting people's wellbeing, confidence, and

willingness to comply with this health-first approach," he said. "There has to be a better balance

to get us out of the sick bay and back to health – physically, socially, and economically... We need a different response to live with Covid as safely as possible without killing our livelihoods and lifestyle."

Prime Minister Jacinda Ardern said the extra week in level 4 will trigger another fortnight of the wage subsidy and a further round of the resurgence support payments will open on Friday.

Ardern said Auckland will remain at level 4 until midnight next Tuesday at least, although the Government has made an "in-principle decision" that Auckland will drop down to level 3 then.

Harford said the extension in the Auckland region is "devastating news" for retailers and other businesses trying to survive the

Covid-19 outbreak.

"While it is important for the Government to manage the current health crisis, the extension to the lockdown is hugely difficult for businesses and maybe a fatal blow for some," Harford said.

As a raw estimate of the hit to

GDP, every day in level 4 costs Auckland about \$100m in lost economic activity.

That's based on Treasury estimates that level 4 results in a 25-30 per cent hit to activity and Auckland's economy accounting for about 38 per cent of total GDP.

But economists now view much of the suppressed activity as displaced rather than lost, based on the sharp V-shaped recovery New Zealand experienced last year.

For example, KiwiBank chief economist Jarrod Kerr is picking third quarter GDP will plunge by 7 per cent but will bounce sharply.

"Recent experience tells us that activity rebounds rapidly when lockdowns are lifted," he wrote in a report yesterday.

"Pent-up demand is unleashed as freedom returns. We are picking a rapid 8.5 per cent quarterly rebound

in [the fourth] quarter".

There are also promising signs that Auckland business confidence is holding up better than last year.

Preliminary September results for the ANZ Business Outlook survey showed top line confidence rose across the country.

ANZ Chief Economist Sharon Zollner said "overall, the preliminary ANZ Business Outlook results suggest that firms can see light at the end of the tunnel, even in Auckland."

What GDP figures don't show is the cost of Crown spending to support businesses. With the whole country at level 4, the wage subsidy came in at about \$1.2 billion for the first fortnight and about half a billion for the resurgence support payment.

That suggests Auckland's extended level 4 could cost the Government more than \$300m a week – which will be loaded on to New Zealand's long-term debt.

Restaurant Association chief executive Marisa Bidios said the extension in Auckland was "inevitable but not desirable."

"The financial drain is taking its

toll on business owners and their employees," she said.

"With no assurance of a wage subsidy extension into level 2 for Auckland-based businesses and severely restricted trading even when we do arrive there, our businesses are having to make extremely difficult decisions to hang on for another week.

"What continues to be pushed under the carpet is the crippling losses that so many industries unable to operate at levels 4 and 3 are facing."

Barnett said there was frustration at the unevenness and unfairness of the way essential business has been defined, favouring well-resourced and financially cushioned large firms.

"This is hitting sectors and businesses differently. Vineyards are unable to prune which will impact this year's harvest; manufacturers have lost customers because they have failed to deliver supplies to feed industries able to

Auckland cannot afford to stay in alert level 4.

Michael Barnett

Auckland's economy at breaking point

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operate down the country; hospitality outlets are teetering... And then there are the winners – those that can work from home, government servants and the supermarkets.

"SMEs, the engines of the economy, are capable of contactless commerce and must be able to operate, not live hand-to-mouth on subsidies, hoping they can stretch dwindling resources while a plan is hatched to open the Auckland economy."

Hospitality New Zealand chief executive Julie White said it was imperative the Government comes up with support for the sector.

"We know lockdown needed to be extended as long as there are mystery cases in the community... But every single day hospitality and accommodation businesses are unable to trade brings more pain and more likelihood of liquidations," she said.

"The extension of the resurgence payment was welcomed but it's nowhere near enough. The Government is not offering anything equal to the deep financial crisis the hospitality industry is in."

– Additional reporting Liam Dann