

**ALL OF GOVERNMENT PRESS CONFERENCE: WEDNESDAY, 18 AUGUST 2021
HANSARD TRANSCRIPT**

Hon Grant Robertson: Kia ora, ngā mihi nui kia koutou. Thanks for coming along. I'm just going to take questions, so this is really the format of a stand-up in a different way around the OCR. If anyone does want to ask around Transpower and power-related matters, I have a brief update about that as well. But I'm happy just to take questions.

Media: What do you make of the Reserve Bank's seeming concern about house prices, that he mentioned both in the Monetary Policy Statement and as well as in his stand-up?

Hon Grant Robertson: Well, obviously as a Government we've been concerned about house prices for some time ourselves. We have said that we believe that the house price inflation has been unsustainable and, obviously, we took action ourselves from a policy perspective on that. The governor has indicated his desire to use macro-prudential tools in that regard too, so I think that there's a shared view that house price inflation has been unsustainable. I would note the governor's comments about where he sees things going in the future, the record level of building consents and building activity that we're seeing, there's also—within the document—an indication that the investor share of new lending has reduced quite significantly since the beginning of the year. We are seeing some things that, as the statement itself says, will start to turn that trend around. But it's a long-term trend, and it is going to take some time.

Media: It's sort of an interesting—well, for lack of a better word—problem to have, because he highlighted issues in terms of supply being the issue and demand being the problem here, and he said that there hasn't been as many houses on the market since the 1960s. So, in that respect, are you quite pleased?

Hon Grant Robertson: Well, supply is definitely improving, and it's something that we've been working very hard on being a part of, both in terms of the houses that we build ourselves but also trying to incentivise new builds, trying to make sure that we're supporting the private sector to get on with building too. Those building consent numbers are very good, and they do hint towards a very strong and positive trend. This will take some time, but it is definitely an improving trend in that regard.

Media: Were you expecting to be standing here today talking about the first interest rate rise in seven years?

Hon Grant Robertson: I never make an assumption until I see the Reserve Bank's Monetary Policy Statement come out and be released. I think it's pretty clear from reading the statement and from the press conference that the governor gave that there was a direction of travel that the Monetary Policy Committee was looking at, but they had to deal with the situation that arose yesterday. I think it's understandable that they've ended up where they've ended up today, but I've taken a little bit of time to read the document and it's quite clear where the committee was heading, and the indications they're giving for the future, but they have to make their decisions in the time that they have.

Media: Is there any part of you that just quietly wishes they had hiked by 25 basis points, just to ease some of that pressure off the housing market?

Hon Grant Robertson: Look, as I say, I don't make any assumptions about what the Reserve Bank's going to do. I think there's a strong programme of work from both the Government and the bank using its macro-prudential tools that are working in that direction. I think there's a strong signal in this report about what the bank is planning to do over the next period of time.

Media: Looking at the extra cases that were announced today, are you fearing a larger shock to the economy than the \$1.5 billion-ish that you—

Hon Grant Robertson: No, that didn't change our assumptions around the economy today. We knew that there would be more cases, that's the nature of Delta and the nature of this outbreak. The New Zealand economy is in a very strong position, I think that is one of the things I'd highlight from reading the Monetary Policy Statement today, is if you look across GDP growth, household spending, consumer confidence, business investment, it's all very, very strong. We've shown that the economy can be resilient in the face of these kinds of outbreaks, and I'm confident that we will be here too.

Media: And speaking to that resilience, one of the businesses that we've spoken to said that that hard, fast, 40 percent drop required for the wage subsidy is perhaps too black and white. Would you consider having a moving scale of revenue loss that is reflected in how much you get per employee, something like that?

Hon Grant Robertson: No, we're not considering that. I think the great virtue of the wage subsidy scheme has been that simplicity and the speed at which we can deliver it, and any more caveats that we put upon it would slow that down. I think it worked well for us. We have tweaked elements of it as we've gone along, but we have to have some kind of measure of the alert level's effect on a business, and we've settled on that 40 percent level.

You'll recall that there were criticisms that it was too loose and that it gave too many businesses opportunities there. So we feel we've got that about right. I'd also bear in mind that since last time most people were using the wage subsidy scheme, we have the Resurgence Support Payment, and so that's an additional sum of money that is available to all of those businesses.

Media: And also, I know it's not necessarily your purview, but looking at how much economic activity is going on, a lot of businesses are still confused about what is an essential good and what is not. Does the Government need to sort out the clarity around that so that people know what they can sell online?

Hon Grant Robertson: Yeah, look, I mean, at that very specific level around what specific goods can be sold within what is essential, I know that MBIE are working on that. Look, it's not unexpected. We haven't been in level 4 for a while. People take a little bit of time. It's just the first day. They take a little bit of time to get used to exactly what the parameters are. Specific questions come in. MBIE respond to those. I'm very confident that over the next couple of days, it'll become much clearer for everyone.

Media: But should we be waiting until we're going into lockdown to clarify that?

Hon Grant Robertson: The point is that we can make the rules but then a very specific situation comes along and you have to say, "Well, how does the rule apply to this?" That's MBIE's job. That's what they do. We're in day one. I'm very confident that within the next few days, people will be clear.

Media: My question follows on from that. Have you been getting any reports of employers doing the wrong thing and forcing staff to come in today, in the lockdown, to do work that isn't essential?

Hon Grant Robertson: We have had one or two reports of that nature, and, again, I'm not completely surprised by that. To reiterate what the Prime Minister said when she was up here earlier this afternoon, I also want to make sure we don't look at those very small number of cases and take away from the people who are doing the right thing. The vast bulk of employers and employees are doing the right thing today. They're staying home. Those who are in essential work are out there doing that work. Where there have been one or two issues raised with us, we've fed that through to WorkSafe and others, whose job it is to follow these things up.

Media: Can you share any details of those cases?

Hon Grant Robertson: Look, there was a catering business that had people in who were doing cleaning and stocktake, which is clearly not what is allowed under level 4, and I'm sure that'll be sorted out quickly.

Media: Do you share the view of the monetary policy committee that employment is assessed as being at or above its maximum sustainable level?

Hon Grant Robertson: It's an interesting one, isn't it? They have a number of measures for that, and you'll see that in the body of the document, Richard. Bear in mind that they expect unemployment to go down further than where we are today. Clearly, where we are at the moment within the labour market—and this is also in the report—is the question of whether or not we do have that skills mismatch. So, yes, there's some spare capacity in the labour market, but is it the capacity that is needed for the skill gaps that we have? And, obviously, on one or two industries, we are hearing about that. That's the reason why we're continuing to work with those industries on how we can support them to bring in critical workers, how we can make sure that we support training and retraining.

Media: And they also say that a monetary policy response might be required if a health-related lockdown has a more enduring impact on inflation and employment. Do you want the load to be carried by the Reserve Bank, or do you think it's something that you can deal with fiscally?

Hon Grant Robertson: I certainly think where we are right now today, in the early stages of this, we have the fiscal space to deal with what we need to deal with. What I think the Reserve Bank is talking about there is more akin to what happened last year, where it was a joint monetary and fiscal policy response. Clearly, if we were in a situation as we were last year and we had a very extended lockdown, then the Reserve Bank would look at what its role is, but I'm very confident that the measures that we're taking with the wage subsidy scheme and the Resurgence Support Payment and the other related economic supports we've got are sufficient for the situation we find ourselves in right now.

Media: How far are you prepared to go fiscally? How much are you prepared to borrow?

Hon Grant Robertson: Well, firstly, we don't need to take on additional borrowing at this time. We have the resources that we need to meet the supports that we have announced. We've always said we'll do what it takes to make sure we support New Zealanders through COVID-19. The New Zealand economy has recovered remarkably. We are in—and the report itself says this today—a much stronger starting point than where anyone would have thought we would be, facing a situation like this now. We've also shown that we come back quickly, that exports maintain their value through a period like this. So I remain very optimistic that it's not going to be necessary to do that, but the reality is, as I think I said yesterday, not in possession of the current fiscal forecasts that the Treasury might make if they were doing one right now.

But, you know, the strength of the New Zealand economy would mean that debt levels will not be where they had been expected to be. So, if we had to, we have ample space to do it, but I don't believe we will.

Media: Following on from Richard's question, actually, as we stand now, we're looking at a situation where there might be a prolonged lockdown—obviously, hopefully not, but that's where it could go. I'm just wondering, knowing what we know now about how the combination of the fiscal and monetary response goes, which is that if we can keep people employed—but also the monetary response does send asset prices north. We've learnt that now. Are you sort of rethinking what your response might be, knowing what we already know, if we are looking at a situation that could be quite bad in terms of the lockdown?

Hon Grant Robertson: Well, again, the caveat is the usual one: it would be the Reserve Bank that would be making monetary policy decisions in any situation like the one that you outline. All I can do is say, from where I stand today, looking at where we are, we have the capacity to deal with this. The Reserve Bank would look at that from a financial stability point of view. It would look at it from its core goals around inflation and employment. I listened carefully to what the governor and others said today as well, and I just don't think we're in that position, and nobody is thinking that way at the moment. We'd be talking about

a very prolonged outbreak, which is not one that we are working on the premise of at this time.

Media: The Reserve Bank might be more inclined to hike interest rates sooner and not loosen monetary policy any more if it knew that the Government was there ready to go with more fiscal stimulus in the event of a prolonged outbreak.

Hon Grant Robertson: I think the Reserve Bank is well aware of the position we've taken both through the last lockdown and, indeed, within the last 24 hours. So everybody knows that we are here to support New Zealanders through this situation. The economy has recovered remarkably well, and so the Reserve Bank would, no doubt, bear all of those matters in mind.

Media: Can I just get you to pop your Wellington Central MP hat on for a second? How devastating is it for the Wellington economy that this has happened right in the middle of Wellington on a Plate?

Hon Grant Robertson: For the hospitality industry in Wellington, this definitely will have come as a blow. Wellingtonians had to deal with the level 1 to level 2 increase, which certainly affected hospitality quite recently, and Wellington on a Plate—Burger Wellington, especially, nowadays—is really a big event. Let's hope we can get back to it soon. And, obviously, if people follow the level 4 rules there, the chances of that are much higher. But, as I noted yesterday, the resurgence support payment is very much about that kind of trying to make up for that kind of thing. But my heart goes out to them. I was due to have the Bellamy's burger yesterday, I think, and missed out. All right, thanks, everyone.

conclusion of press conference