

Tuesday, 22 March 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
Hastings District Council
Strategy and Policy Committee Meeting

Kaupapataka

Attachments Under Separate Cover

Te Rā Hui:
Meeting date: **Tuesday, 22 March 2022**

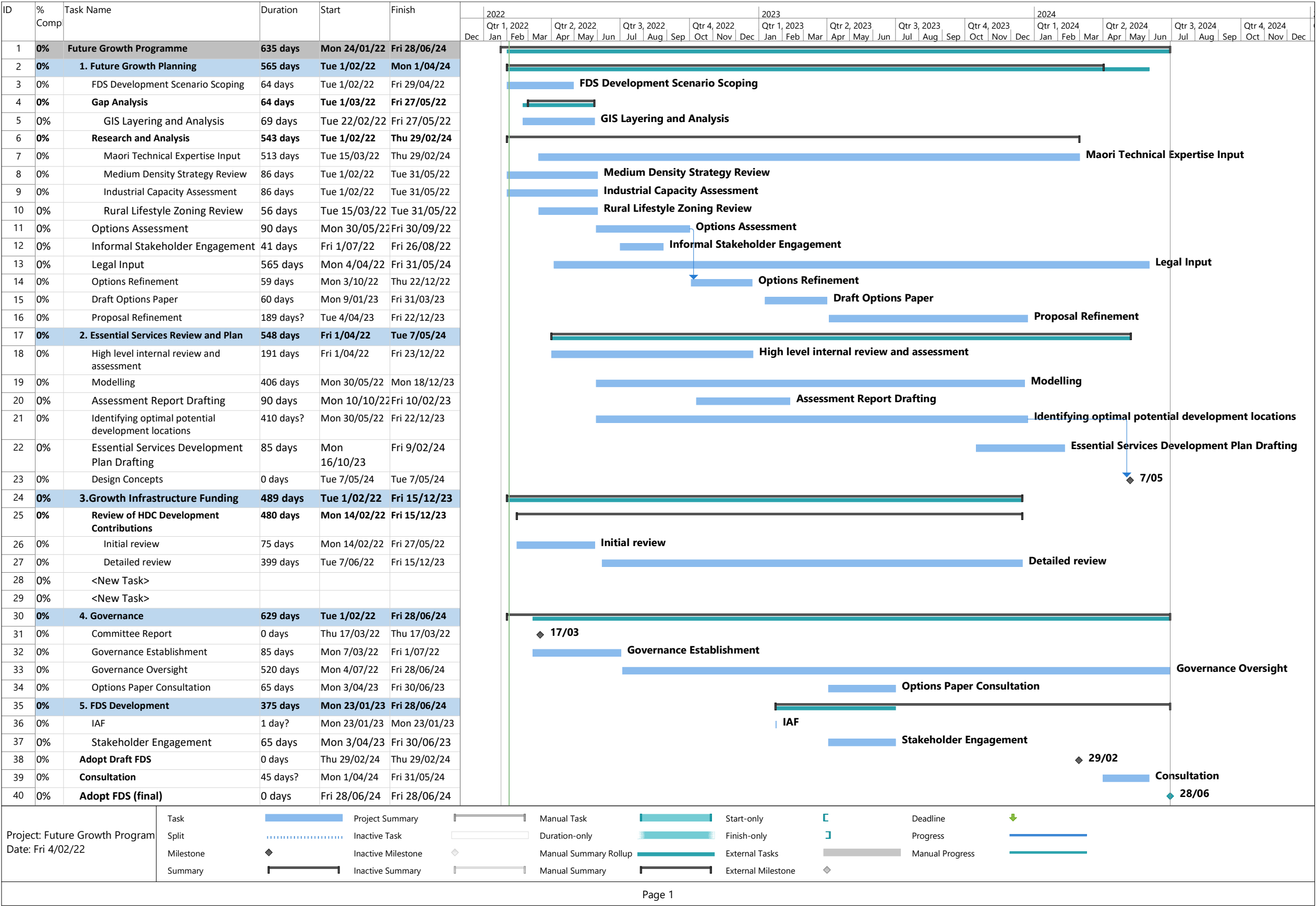
Te Wā:
Time: **1.00pm**

Te Wāhi:
Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

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TE KAUNIHERA Ā-ROHE O HERETAUNGA

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Napier – Hastings Urban Housing Market Snapshot

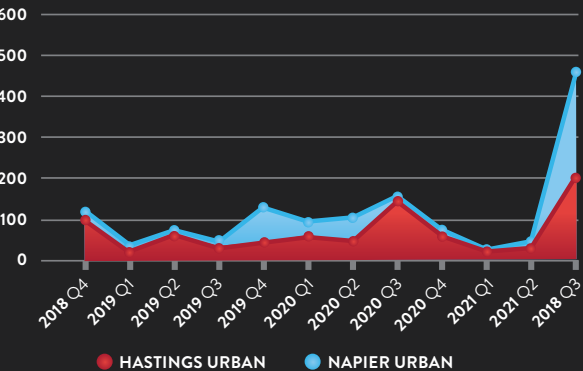
To inform decision making under the 2020 National Policy Statement on Urban Development



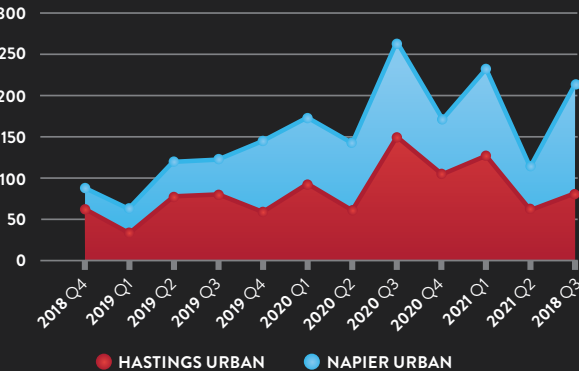
Q3
2021

FOR THE PERIOD 1 JUL TO 31 SEP 2021

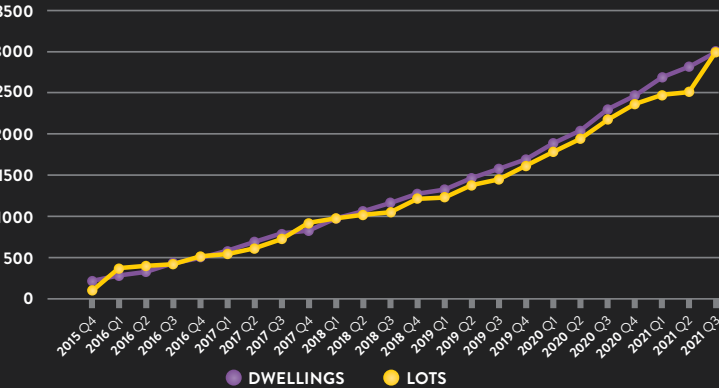
1 QUARTERLY NAPIER HASTINGS URBAN
LOTS CONSENTED



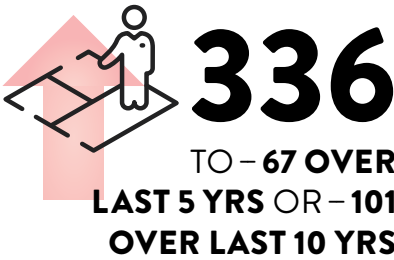
2 QUARTERLY NAPIER HASTINGS URBAN
DWELLINGS CONSENTED



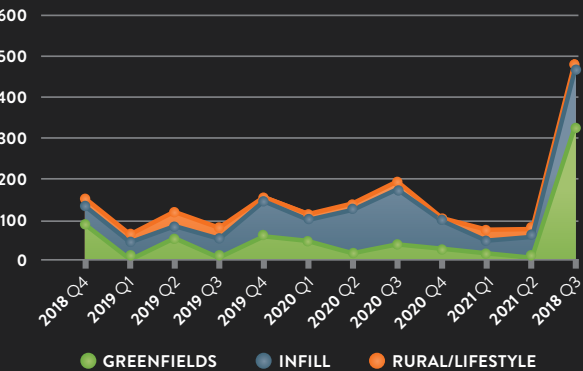
3 QUARTERLY NAPIER HASTINGS CUMULATIVE URBAN
LOTS VERSUS DWELLINGS CONSENTED



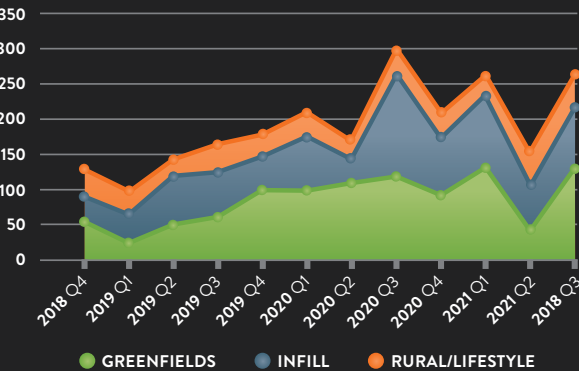
NET LOT CAPACITY ADDED



4 QUARTERLY NAPIER HASTINGS URBAN
LOTS CONSENTED BY TYPE



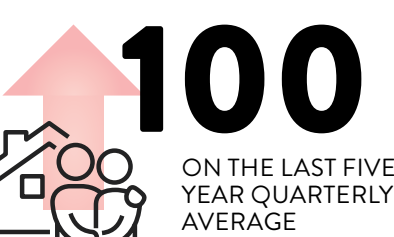
5 QUARTERLY NAPIER HASTINGS
DWELLINGS CONSENTED BY TYPE



NAPIER HASTINGS RESIDENTIAL LAND CAPACITY AND
QUARTERLY UPTAKE TO 30 SEPTEMBER 2021

AREA	UNBUILT LOT CAPACITY 30 DEC	NEW LOTS CREATED THIS QUARTER	BUILDING CONSENTS GRANTED	BALANCE LOTS	LOTS YET TO BE CREATED	TOTAL REMAINING CAPACITY
Arataki	3	0	2	1	0	1
Lyndhurst Stage 1	1	0	0	1	9	10
Lyndhurst Lifestyle Village	0	0	0	0	0	0
Lyndhurst Stage 2	20	0	8	12	161	173
Northwood	8	1	1	8	43	51
Waingakau Village	62	0	2	60	25	91
Gracelands Village	0	0	0	0	0	0
Ryman Village Havelock	0	0	0	0	69	69
Brookvale Stage 1	6	0	0	6	92	98
Howard Street	0	0	0	0	0	0
Iona 1a (Breadalbane)	0	0	0	0	29	29
Iona	0	0	0	0	0	0
Parklands	69	30	12	87	33	120
Bupa Village	0	30	30	0	15	15
Summerset Te Awa	0	45	45	0	49	49
Te Awa	11	24	22	13	729	742
Total	180	130	122	188	1254	1448
Less Retirement Villages	180	55	47	188	1121	1315

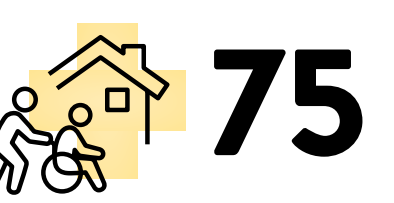
TOTAL NEW DWELLINGS



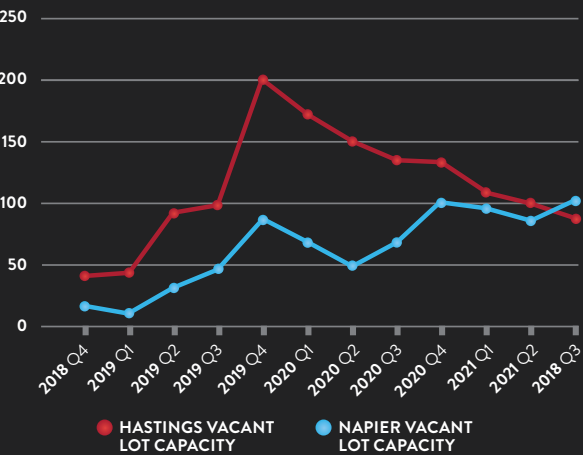
TOWNHOUSES/FLATS/UNITS



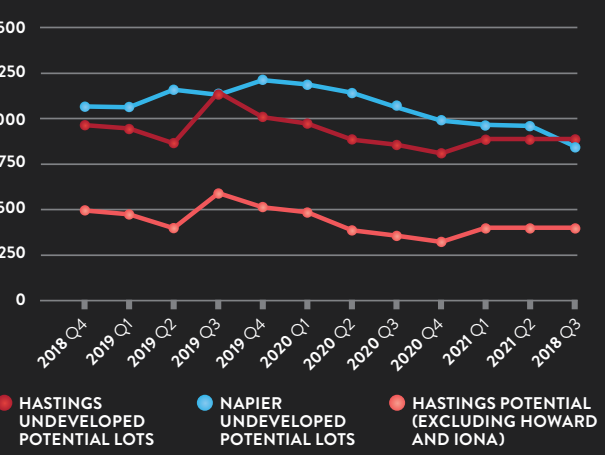
RETIREMENT VILLAGE UNITS



6 NAPIER HASTINGS DEVELOPED GREENFIELD
LOT POTENTIAL



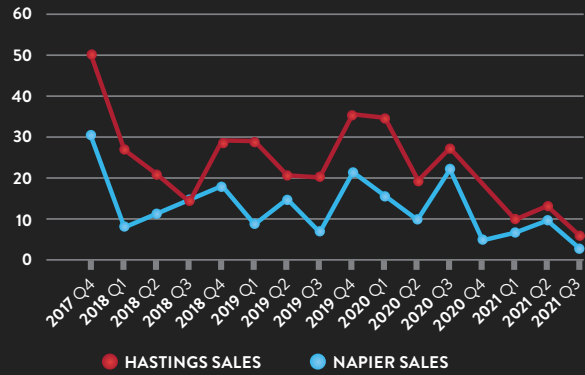
7 NAPIER HASTINGS POTENTIAL UNDEVELOPED
GREENFIELD LOT POTENTIAL



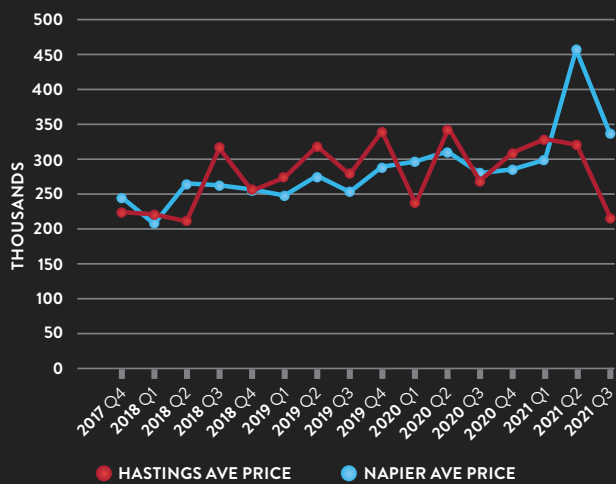
Disclaimer: This Infographic is compiled from a number of sources for the Councils (being the Napier City Council, Hastings District Council and Hawke's Bay Regional Council) own purposes and obligations under the National Policy Statement on Urban Development. The Councils will not accept liability arising from its use for any other purpose or by any other person or entity acting in reliance upon it. People should make their own enquiries and engage suitably qualified professionals when making decisions, judgements or pronouncements in relation to housing and property matters.



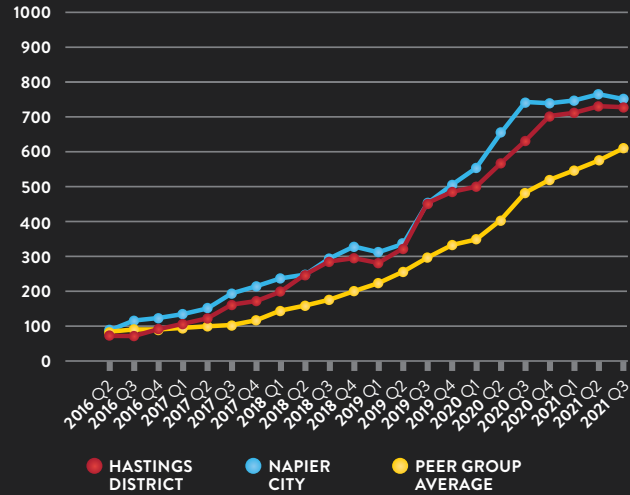
9 NAPIER HASTINGS VACANT SECTION SALES VOLUME



11 NAPIER HASTINGS AVERAGE VACANT SECTION SALES PRICE



13 QUARTERLY SOCIAL HOUSING REGISTER



HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
REGION	AUG 2020	MAY 2020	AUG 2021	IMPROVEMENT	DECLINE	IMPROVEMENT	DECLINE
Northland	19.6	21.5	21.5		9.7%		0.1%
Auckland	27.1	28.2	31.3		15.8%		11.3%
Waikato	19.7	21.2	24.0		22.3%		13.3%
Bay of Plenty	20.8	24.7	26.5		27.5%		7.5%
Gisborne	15.3	20.5	17.4		13.7%	14.9%	
Hawke's Bay	18.3	22.7	22.4		22.8%	1.5%	
Manawatu/Whanganui	13.1	17.8	20.2		53.9%		13.7%
Taranaki	13.2	16.1	17.3		30.9%		7.4%
Wellington	19.1	21.3	22.2		16.1%		4.6%
Tasman	20.9	27.6	27.1		29.6%	1.9%	
Nelson	21.0	21.9	21.7		3.5%	0.9%	
Marlborough	18.6	20.6	28.8		54.8%		39.8%
West Coast	8.0	8.9	9.8		23.2%		10.2%
Canterbury	15.5	16.6	18.8		20.7%		12.7%
Otago	18.4	20.4	21.5		17.2%		5.3%
Southland	12.4	12.1	13.2		6.3%		8.8%
ALL REGIONS	20.0	22.3	24.4		22.2%		9.8%

AFFORDABILITY

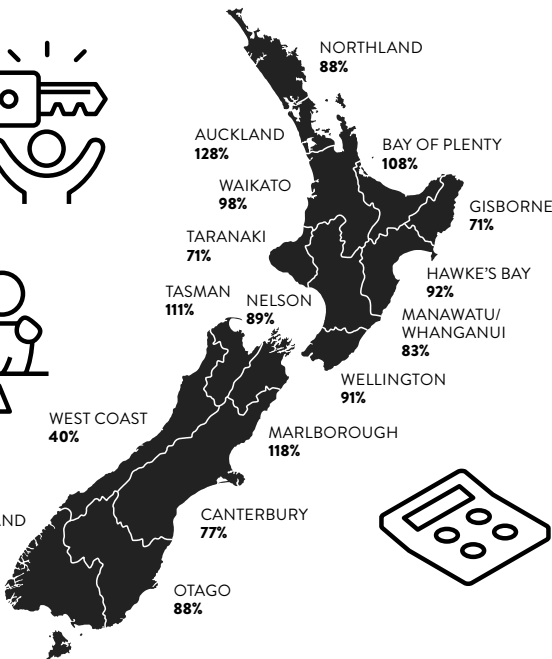


UP 2 PLACES TO
6th LEAST
AFFORDABLE
REGION IN NZ
AT 92% OF THE NATIONAL AVERAGE

SOCIAL
HOUSING
REGISTRATIONS
STABLE

RENTS **2.1%** & **1.0%**
IN HASTINGS IN NAPIER

HOUSE PRICES **0.1%** & **8.6%**
IN HASTINGS IN NAPIER

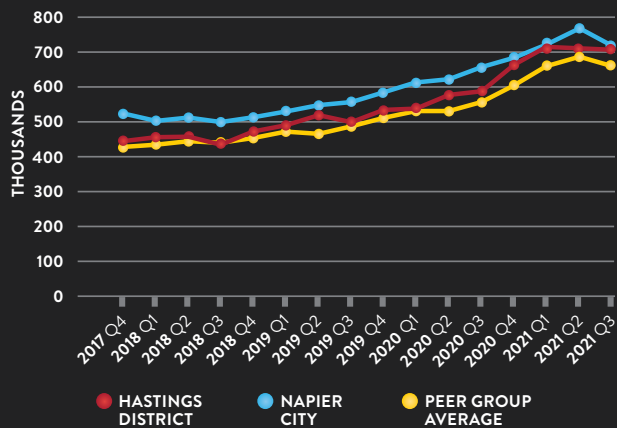


SECTION PRICES

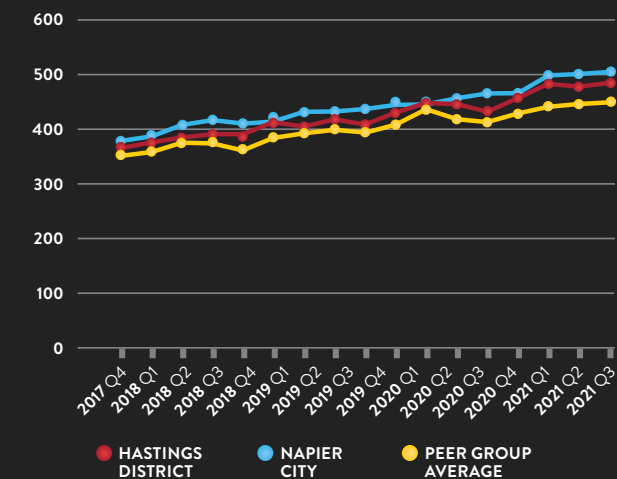
32.5% & **25.6%**
IN HASTINGS IN NAPIER

Notes:
• Peer Group includes, Nelson, Palmerston North, New Plymouth, Rotorua, Gisborne.
• For longer time series and commentaries see <https://www.hpuds.co.nz/assets/Uploads/2020-Q4-NPSUD-Quarterly-Market-Indicator-Monitoring-Report-published-June-2021-5556.pdf>
Attributions: Section Prices and Volumes - Logan Stone Ltd; House Prices and Rents MHUD; Affordability Index - Massey University; Social Housing Register - MSD; Dwelling and Subdivision Consents - Hastings and Napier Councils

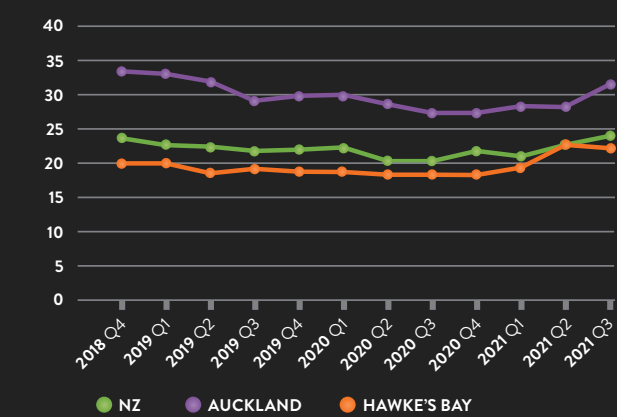
10 NAPIER HASTINGS REAL MEDIAN HOUSE SALES PRICES



12 NAPIER HASTINGS 12 MONTH ROLLING AVERAGE REAL DWELLING RENTS



14 QUARTERLY HOUSING AFFORDABILITY INDEX





Homes for our people

Across Hastings, the sight and sounds of construction are everywhere with the response to the urgent need for housing amid the current crisis.

Hundreds of homes have been built in the past two to three years and hundreds more are either under construction or in the pipeline.

It's an almost unprecedented level of house building activity and it covers the spectrum from public to affordable to market housing.

Providing homes for our people is a key priority in Hastings District Council's Long Term Plan 2021-2031



Public/social & affordable

Work has started to build public/social and affordable homes as part of the Hastings Place Based housing plan.

The partners to the plan all have the same goal – to share resources and develop a practical way to address the district's housing needs, and more than **600 homes** are currently projected to be built over the next two years.

The partners include Hastings District Council, iwi and hapū, and Government: Crown agencies (Ministry of Social Development, Ministry of Housing and Urban Development, Kāinga Ora, Te Puni Kōkiri), social service NGOs, Hawke's Bay District Health Board, and the private sector.



To date **39 new papakāinga homes** have either been built or are under construction.



Since the plan was first developed in 2019, **99 new Kāinga Ora social homes** have been completed, with **120 in construction** and a further **79 in planning**.



The Te Taiwhenua o Heretaunga-owned Waiāngākau Housing Development Project is now progressing at pace, with **8 houses completed**, **13 currently under construction** or in advanced planning. The Project is well on the way to building over **120 homes** in West Flaxmere.

With land it freed up in Flaxmere, Hastings District Council has developed lots for **17 affordable homes**, and **18 public homes** at Tarbet St.



Work is well underway to create up to another **150 homes** on lots of council-owned land at Caernarvon Drive, 244 Flaxmere Ave and 30 Swansea Rd.



Market

Private developments on newly created subdivisions are also making progress, projected to bring more than **1000 homes** to the market over coming years.

From Mahora to Frimley to Havelock North, hundreds of lots are already either under design, going through the consenting process, or being developed.

In addition, developments such as that by Ryman Healthcare in Havelock North are providing lifestyle living for older people, freeing up more houses to be available on the market.



At the Lyndhurst subdivision in Frimley **185 houses have already been built**. A further 112 lots have been consented, that's a total of 295 new homes either built or about to get underway of a total of **350 being developed in this area**.

The diggers are in and work is underway on Brookvale Rd, where consent has been granted to build 102 homes – there will be an estimated **500 houses at Brookvale**.



Infrastructure construction is due to get underway at Howard St in early 2022 to supply **250 to 300 homes**.



The Northwood subdivision at Mahora is mostly subdivided with development happening on the last remaining sections.



The Ryman Healthcare development has **300 homes**, many of which have already been built and are starting to be lived in.



The planning process is underway for the first stage of development for about **400 homes** at Iona in Havelock North.



Making space

In an effort to free up rental space, the private sector has spent about \$30 million to date providing accommodation for more than 1500 seasonal workers, enabled by a District Plan change.

Inner city living

Making better use of existing suburbs and buildings so as to minimise housing growth on our growing soils is a key consideration for Hastings District Council. It is actively encouraging the conversion of upper stories in the central city into apartments and in-fill housing, and has also produced a residential intensification design guide to assist in meeting district plan requirements and producing well designed, quality outcomes.



Building consents

All of this activity is reflected in the growing numbers of new dwelling consents being issued over the past three years.

2018-2019
295
NEW DWELLING CONSENTS

2019-2020
333
NEW DWELLING CONSENTS

2020-2021
432
NEW DWELLING CONSENTS



For more information go to www.hastingsdc.govt.nz/hastings/projects/homes-for-our-people

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Residential Development Update - February 2022

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February 2022

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Planning ahead

Welcome to another edition of the Hastings District Council residential e-newsletter where we aim to provide an update on what's been happening, and what's coming up in the residential construction sector.

What's been happening over the last quarter

Areas of Interest

The list below provides a snapshot of residential application activity over the fourth quarter of 2021.

Kauri Street / Place	Construction is underway in Kauri Street / Kauri Place with completion due April / May 2022	40
Cunningham Crescent	Construction is underway to create 16 Kāinga Ora residential lots.	16
Te Awanga Downs	Construction underway to create 45 residential lots.	45
Brookvale	Consent has been granted for a 96 lot subdivision.	96
Tomoana Road	Construction underway to create 28 residential lots.	28
Keirunga, Havelock North	Consent has been granted for a 19 lot subdivision.	19
Corner Fenwick / Karamū Road	Consent has been granted for a Comprehensive Residential Development for 7 residential dwellings now under construction	7
Lyndhurst	Consent has been granted for a 62 lot subdivision.	62
Flaxmere	There is planned development in the following locations: ~40 Lots at 244 Flaxmere Avenue. ~40 lots in the Flaxmere Town Centre. ~60 Lots at 72 Caernarvon Drive.	140
	Construction is complete for Tarbet Street with 18 MSD units under construction and 17 market sites sold to first home buyers and owner occupiers.	35

It is a good idea to have a pre-lodgement meeting if you are preparing a resource consent application and wish to discuss it with Council prior to lodgement. This can help to identify regulatory requirements and potential issues.

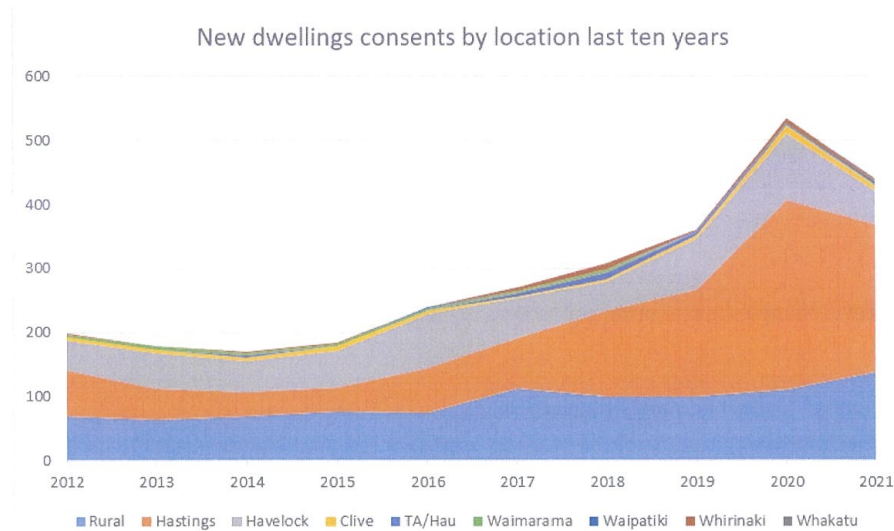
<https://mailchi.mp/hdc/residential-development-update-3118889?e=330b0ba58c>

1/7

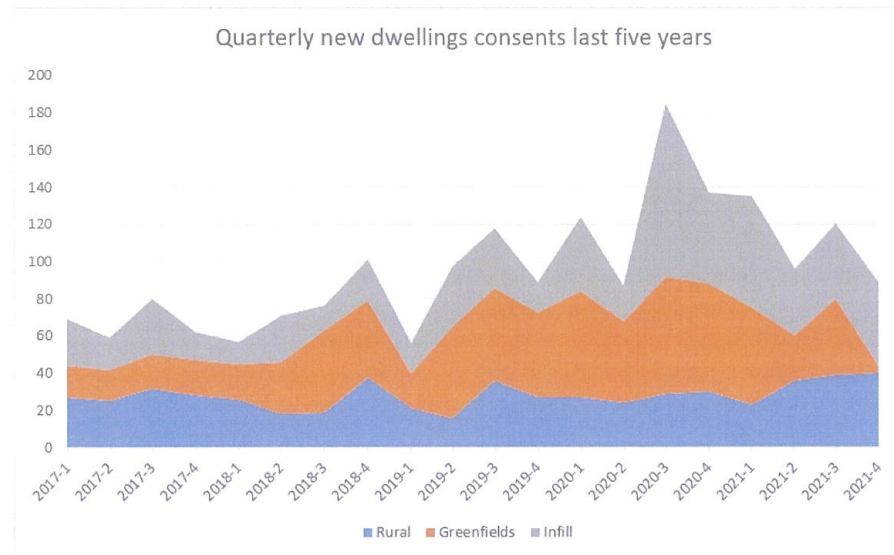
GIS Greenfield Map

[Please explore the GIS link here for information on current Greenfield areas.](#)

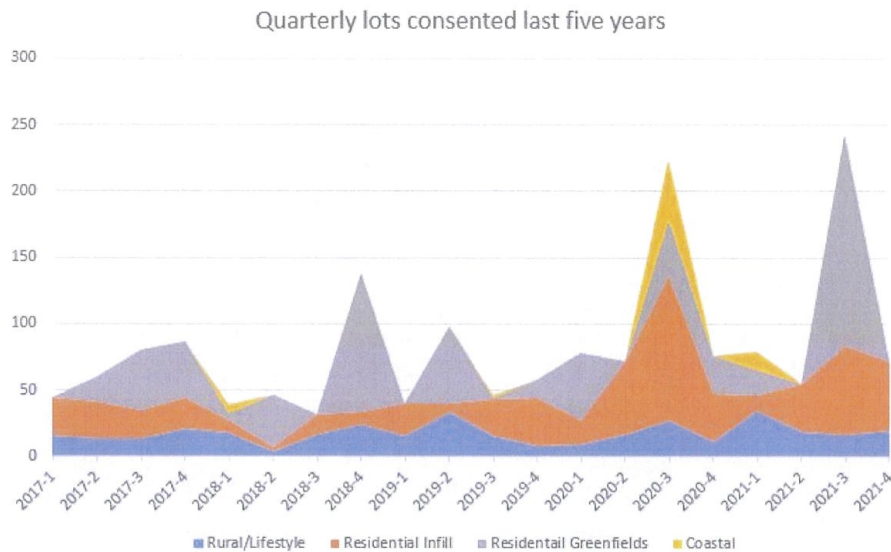
Dwellings Consented



2021 was another large year for new dwellings consented yet was lower than the 2020 high. The pipeline of subdivisions in Hastings and Havelock North should continue to see high consent number for the coming years.



The fourth quarter of 2021 showed a decrease in dwelling consents. While this was lower than previous three quarters it was still above the long term average. Rural dwelling consents were



Over 430 lots were consented in 2021 with quarter 3 recording over 240 lots consented. This was driven by applications in the Brookvale and Lyndhurst Stage 2 development areas.

For further quarterly property and development metrics please visit the [Heretaunga Plains Urban Development \(HPUDS\) website](#)

Kāinga Ora Plans for Hastings

The Regional Housing Programme, as stated by Kāinga Ora, makes the most efficient use of land to build hundreds of new warm and dry homes, to meet the demand for more state housing across the country.

The development programme is accelerating with commencement of 40 houses in Kauri Street, Resource Consents for Tranches 4 and 5 which amount to 75 additional houses have been granted consent. In addition 15 'infill' dwellings are in the construction phase, with completion scheduled for March 2022

[Click here for more information on Kāinga Ora projects.](#)

Residential Intensification Design Guide

Over the last year, there has been an increasing interest in residential intensification across the district. The Hastings Residential Intensification Design Guide is providing insights, resources and examples of good design practice for compact housing typologies that encourage two-storey buildings.

Key benefits of the Residential Intensification Design Guide

1. Do it once and do it right
2. Have confidence you've met criteria

5. More affordable housing

Find out more information and view the guide online at www.hastingsdc.govt.nz/design



Update on Greenfield Development Areas

Lyndhurst Stage 2, Frimley, Hastings

- A large developer has completed a number of stages totalling around 189 lots. One lot with title is currently available.
- An additional consent application has been granted by a separate developer for ~50 lots. Construction is planned to begin in the coming months.
- Resource consent has now been granted for a large ~62 lot subdivision with this land being actively developed.
- Construction of 'Portion 3 and portion 4' infrastructure is complete. All Lyndhurst bulk services are now installed.

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Image: Lyndhurst Subdivision

Te Awanga Downs, Te Awanga

- Consent granted for 45 residential sections in stage 1, 2 & 3.
- Construction is almost complete for stages 1, 2 & 3 with titles expected in May 2022.

Flaxmere, Hastings

- Te Taiwhenua o Heretaunga (TTOH) and its sister company Waingākau housing developments Ltd have launched the build of its ~120 home development 'Waingākau Suburb'. This suburb borders rural land in Flaxmere West.
- A 13 lot application for stage 1 has been approved and building of houses is currently underway.
- A resource consent application for an additional 42 lots has been granted.
- Infrastructure works are underway – with completion scheduled for March 2022.
- Click [here](#) for more information.

Brookvale Road, Havelock North

- The Stormwater Management Plan for the Brookvale Urban Development Area has been endorsed by the HBRC.
- Council has commenced the acquisition process for the required stormwater detention areas.
- Area A within the Brookvale Structure Plan is now available for development.
- A large Resource Consent for 96 lots has been approved.

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Image: Brookvale Future Subdivision

Keirunga, Havelock North

- Consent granted for 15 residential sections and 4 lifestyle blocks. Earthworks have commenced.
- Titles will follow the construction of services in approximately November 2022.

Howard Street, Parkvale, Hastings

- Developed design for the internal road and associated services is complete.
- Once land acquisition has occurred the construction of internal road and associated services can begin.
- Council is now working through the development process with intentions to commence the first portion of external physical works in early 2022.

Iona / Havelock Hills, Havelock North

- Officers are working with owners on infrastructure arrangements for the main development area.
- Council has installed infrastructure to strengthen network resilience along Campbell Street through Middle Road.
- Works are planned to continue along Middle Road and Iona Road to fully service the development area.
- Planning and rezoning details can be viewed at www.hastingsdc.govt.nz/iona

Further information

- Click [here](#) to register a colleague to our distribution list.
- Click [here](#) for further information to date on the planning process.
- If you have any questions, please contact the Strategy & Development Team via phone on 06 871 5000.

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Residential Development Update - February 2022

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and professional advice is commissioned as appropriate.



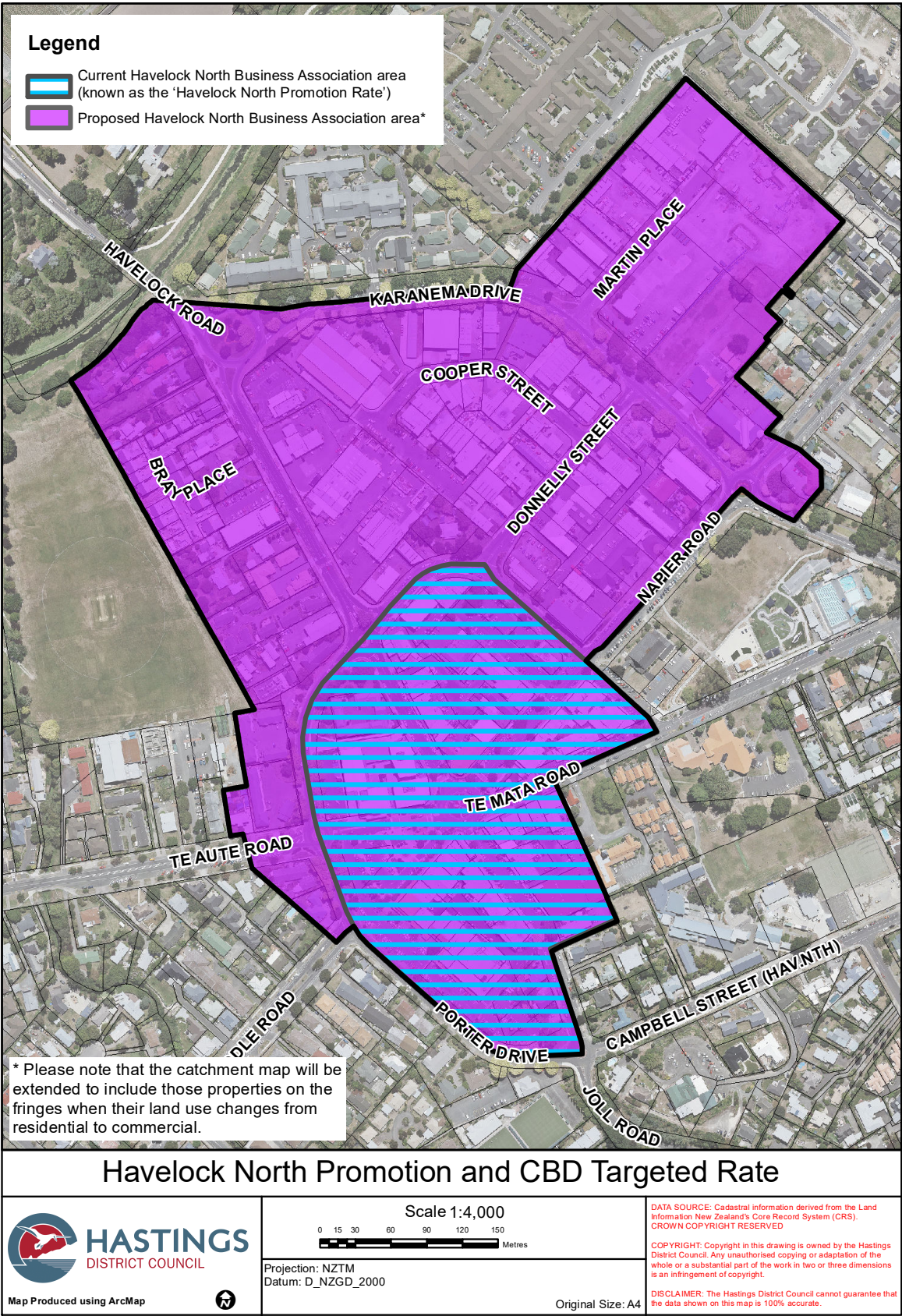
HASTINGS DISTRICT COUNCIL

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FINAL RESULT OF POLL

The voting period for the Havelock North Business Association poll closed at midday on Monday 28 February 2022.

Proposal:

To extend the area of the Havelock North Business Association as outlined in the HNBA Strategic Plan document (utilising the Business Improvement District (BID) Policy).

The BID policy requires the poll result to be calculated on both number/percentage of votes cast and a weighted basis, using the combined land values of the properties within the area where votes were cast. Specifically, the Council's BID policy sets the following criteria for consideration of a BID poll result:

1. The response rate to the poll is greater than 25%
2. Of the responses, support for the BID proposal is greater than 50%
3. Of the supporting responses, the land value is greater than 50%.

The final result of the poll is:

	Number of Votes Cast	Percent of Votes Cast (Not weighted)	Percent of Votes Cast (Weighted)
Votes cast FOR the Proposal	81	80.20	85.99
Votes cast AGAINST the Proposal	19	18.81	13.08
Blank/Informal voting documents	1	0.99	0.93

The voting return percentage was 40.40% being 101 votes received, of which 93.07% voted online and 6.93% voted by post.

As the voting return rate in the poll exceeded 25% and the majority of votes cast in the poll voted **FOR** the proposal and the majority of weighted votes cast in the poll voted **FOR** the proposal, I confirm that the poll result meets the thresholds set in the Council's BID policy.

The poll result is non-binding on the Council. The Council will use the poll result to determine whether to amend its current rating arrangements for the Havelock North Business Association area.

Warwick Lapp
Returning Officer – 2022 Havelock North BID Poll
electionz.com Ltd, 3/3 Pukaki Road
PO Box 3138, Christchurch, New Zealand
0800 398 683
iro@electionz.com

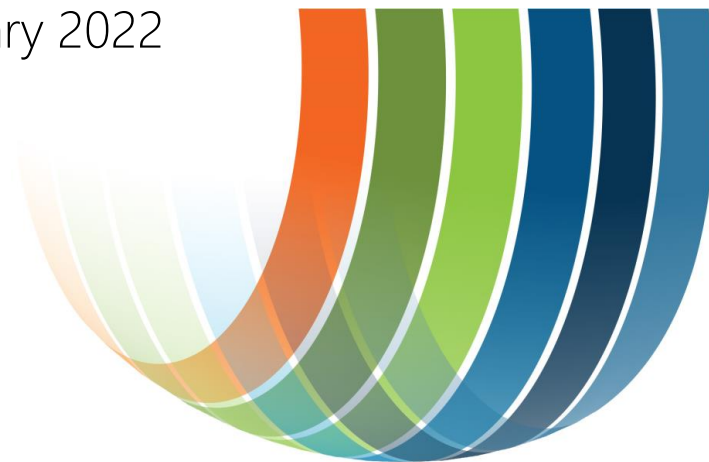
4 March 2022



Exploring Omicron's potential economic impact on New Zealand

Public Analysis Report

January 2022



Authorship

This report has been prepared by Principal Economist Brad Olsen.

Email:

Brad.Olsen@infometrics.co.nz

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Red to hit events and hospitality 5

Supply disruptions, absenteeism, and reduced economic participation will hamper activity 6

 Fewer people available to work 6

 Risk of getting COVID-19 will reduce economic participation 6

Workforce absenteeism set to rise 8

Workers off sick set to rise considerably under Omicron 8

Australian examples highlight vulnerabilities 8

New Zealand support schemes will be important to assist businesses 9

Omicron presents supply challenges 12

Some goods will be harder to get 12

People won’t go out as much, and more places will be closed 13

Immediate high demand for tests expected 14

Key Points

This report provides a brief overview of selected topics identified internationally as key challenges during the outbreak of the Omicron variant of COVID-19. We draw on selected United Kingdom (UK) and private sector data sources, media reports from New Zealand, Australia, and the UK, and Infometrics analysis.

Our analysis is designed to inform the public and provide initial thoughts to decision makers across New Zealand for consideration. Our findings are not exhaustive.

Key Findings

- New Zealand's economic recovery will be disrupted, both due to:
 - Limitations on hospitality and events at Red.
 - Supply chain shocks, high levels of absenteeism, and lower economic participation as people go out and interact less with business.
- Fewer people will be available to work, with a rough estimate of 12% absenteeism based on 25,000 per day peak cases, and 350,000 isolating at that time.
- Australian examples show considerable challenges for transport, logistics, and supermarket operations.
- Supply chain challenges will be exacerbated by sustained high levels of spending focused on supermarkets.
- Medical supplies, pasta, and toilet paper appear vulnerable.
- The Leave Support Scheme and Short Term Absence Payment will be important to enable workers to stay home and get paid, and help businesses fund this pay.
- Economic participation will drop as the Hassle of Going Out (HOGO) morphs into a Hesitancy of Going Out (also HOGO) and contracting COVID-19 or having to isolate.
- Overseas data shows a 25% drop in restaurant activity from normal levels.
- Overseas data also suggests there will be an immediate and high demand for tests for households and businesses.

Economic recovery to be disrupted

The Omicron variant of COVID-19 presents a clear risk to New Zealand’s economic activity and recovery. Although New Zealand’s economic has strong foundations and has shown itself able to weather previous COVID-19 outbreaks better than expected, Omicron presents a different set of challenges. Both the official response to Omicron, and New Zealander’s own reaction to an outbreak, will influence economic outcomes.

Moving to Red will limit some economic activity. Illness from COVID-19, and requirements to isolate as a close contact, will reduce economic supply and an ability for consumers to participate. Demand will also be temporarily disrupted as hesitancy reduces economic activity and spending.

Red to hit events and hospitality

New Zealand has moved to Red under the COVID-19 Protection Framework (CPF, “Traffic Light system”) due to community transmission of Omicron. Moving to Red presents additional restrictions on economic activity that will temporarily reduce economic activity. These additional restrictions have the greatest effect on large events and venues, as well as the hospitality sector. Key limits under Red include:¹

- Capacity limits of 100 people able to attend an event, in a defined space, with Vaccine Passes in use, and with 1m physical distancing.
- Capacity limits of 100 people able to be in a hospitality venue seated and separated, with Vaccine Passes in use, and with 1m physical distancing.
- 1m physical distancing and maximum capacity limits in retail and close-contact businesses.

Treasury estimates published in December 2021 outline the expected economic impact of the various levels in the CFP. These expectations are outlined in Table 1.

Table 1

Economic impact of Traffic Lights

Likely impacts on economic activity, from “usual”, under the CPF

Level	% of GDP	\$m (weekly)
Green	0% - 2%	\$100
Orange	1% - 3%	\$140
Red	2% - 3%	\$190

Source: Treasury (HYEFU 2021, p9)

¹ New Zealand Government. (2022) *Life at Red*. Unite Against COVID-19. Retrieved from <https://covid19.govt.nz/traffic-lights/life-at-red/>

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At Red, economic activity will be 2%-3% below usual activity, with an estimated cost of \$190m per week of Red across New Zealand.

Supply disruptions, absenteeism, and reduced economic participation will hamper activity

Global experiences of Omicron so far show that the higher transmissibility of the variant will see a considerable number of people contract COVID-19 or be close contacts of a case.

These people, many of them workers, will need time off to either recuperate or isolate until they are no longer infectious or at risk of passing on COVID-19. The scale of disruption is large enough to make a considerable difference to economic activity and becomes an implicit limit of economic supply for a variety of goods and services.

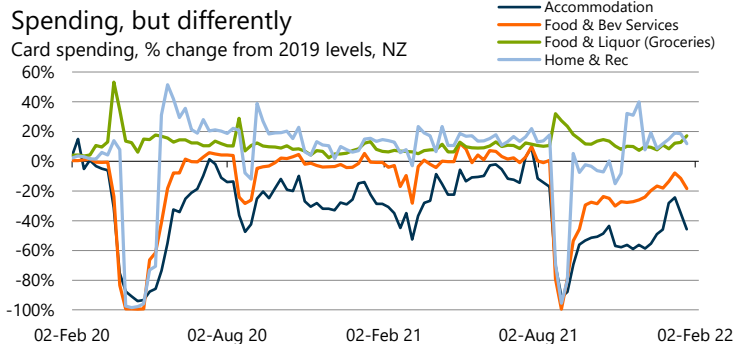
Fewer people available to work

Rapidly rising cases of COVID-19 will diminish available workers across the economy (see below sections). With fewer people able to work, production of goods will be reduced – for example, there will be fewer people able to build, pick crops, or manufacture items. Services will also be disrupted, with fewer workers able to perform their tasks – for example, transporting goods, stacking shelves, or waiting tables.

Risk of getting COVID-19 will reduce economic participation

New Zealand data shows that although spending levels have returned to around normal levels since the shift to the CPF, tourism activity remains far from recovered. Hospitality and accommodation spending is still down 13% and 28% respectively on average over the four weeks to 9 January 2022, compared to pre-pandemic levels.²

Graph 1



The **Hesitancy Of Going Out (HOGO)** is likely to further reduce hospitality spending in the event of an Omicron outbreak. Fewer people will be willing to travel and eat out at

² Infometrics analysis of card spending data, sourced from Marketview via MBIE.

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food and beverage services, given the increased risk of coming into contact with COVID-19 and limits on venue numbers.

However, a key risk also remains for supermarket spending. Spending on groceries is up around 12% from pre-pandemic levels, with this substantial level of spending in this area meaning that supply and staff disruptions will cause a greater than otherwise imbalance of supply and demand.

Workforce absenteeism set to rise

The sheer scale of Omicron infections across the population have seen substantial increases in absenteeism of employees from work. Concerning outcomes from both the Australia and the United Kingdom present worrying expectations for the challenges New Zealand might face.

Workers off sick set to rise considerably under Omicron

The number of people absent from work throughout the peak of an Omicron outbreak is expected to be large. Government analysis discussed by Finance Minister Grant Robertson noted that "if there were 25,000 cases a day there would likely be 350,000 people self-isolating".³

Based on this estimate, around 12% of the New Zealand workforce might be unavailable to work.⁴

High worker absenteeism will present a limit to economic activity. Reduced economic output will result from businesses not being able to open, or not being able to be staffed like normal.

Fewer people being able to work, fewer people willing to go out and risk contracting COVID-19, and fewer people able to access the businesses they need due to worker shortages will all culminate in periods of de-facto lockdowns.

Businesses will need to swiftly determine how to enable business operations continue throughout the Omicron outbreak, and how to limit exposure of staff.

Australian examples highlight vulnerabilities

Unofficial reports out of Australia underscore potential vulnerabilities that New Zealand could face during an Omicron outbreak. News media have quoted industry organisations and major employers facing far higher levels of absenteeism.

The Australian Transport Workers' Union estimates between 33% and 50% of truck drivers cannot operate, and Woolworths has stated that 20% of supermarket distribution workers and 10% of supermarket store workers are unavailable.⁵

Health and social services are also expected to be hit. Hauora Tairāwhiti are expecting 33% of their workforce might be unable to operate at the height of an Omicron

³ Radio New Zealand. (2022). *Supply-chain disruption 'inevitable', but work is underway to reduce impact - Finance Minister*. Radio New Zealand. Retrieved from <https://www.rnz.co.nz/news/business/460021/supply-chain-disruption-inevitable-but-work-is-underway-to-reduce-impact-finance-minister>

⁴ Based on the 2.819m employed people in the September 2021 Household Labour Force Survey.

⁵ Melville, B. (2022). *Plan needed for possible omicron supply shortage threat*. BusinessDesk. Retrieved from <https://businessdesk.co.nz/article/markets/plan-needed-for-possible-omicron-supply-shortage-threat>

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outbreak. New Zealand rest home operators are planning for 10% - 14% absenteeism, based on the experience in Australia.⁶

New Zealand support schemes will be important to assist businesses

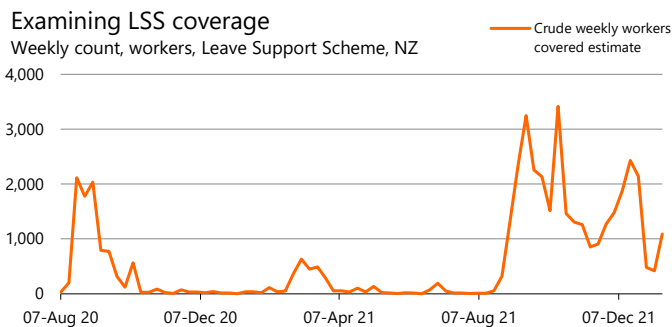
Businesses are likely to struggle shouldering the cost of high absenteeism, particularly in industries that are already struggling. More importantly, workers will need to be reassured that they will keep getting paid, even if they contract Omicron or are required to isolate. Without this reassurance, sick or potentially infected workers are more likely to go to work to ensure they can get paid.

New Zealand's support schemes will play an important role in assisting businesses. The two key schemes are:

- The **Leave Support Scheme (LSS)**, which is for workers who have been told to self-isolate by health officials, usually because they have COVID-19 or are a close contact, and the worker cannot work from home.⁷
- The **COVID-19 Short-Term Absence Payment (STAP)** is for workers who need to self-isolate while they await a COVID-19 test result.⁸

Unfortunately, the Ministry of Social Development is unable to provide the number of workers that are covered by both the LSS and STAP. Instead, weekly payment totals, divided by usual per-person payments, provides a crude proxy for possible coverage.⁹

Graph 2



⁶ Bell, J. (2022). *Gisborne Hospital expects up to third of staff may be off work in Omicron outbreak*. Radio New Zealand. Retrieved from <https://www.rnz.co.nz/news/covid-19/459902/gisborne-hospital-expects-up-to-third-of-staff-may-be-off-work-in-omicron-outbreak>

⁷ A full explanation is available from MSD, <https://www.workandincome.govt.nz/covid-19/leave-support-scheme/index.html>

⁸ A full explanation is available from MSD, <https://www.workandincome.govt.nz/covid-19/short-term-absence-payment/index.html>

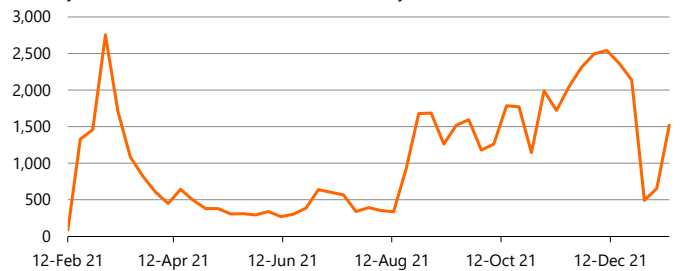
⁹ For STAP, we divide the weekly additional funding paid by \$359, the per-person STAP payment. For LSS, we divide the weekly additional funding paid by \$600, the per-full time workers LSS payment (\$359 is the part-time worker payment rate). We have also estimated a figure for 25 Dec 2020, given an apparent data issue.

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Graph 3

Examining STAP coverage

Weekly count, workers, Short-Term Absence Payment, NZ



Both crude estimates for LSS and STAP show a larger volume of support during the Delta outbreak, as expected.

Omicron is set to far eclipse peak coverage for both LSS and STAP. If, as the previously noted Ministerial comment has assumed, New Zealand sees a peak of 25,000 cases a day and 350,000 people off work, there is a \$210m per week upper limit on LSS alone. Such costs are important to bear and are less expensive than the Wage Subsidy. But they are still material costs for the government.

UK data shows considerable lift in absent workers, despite differences

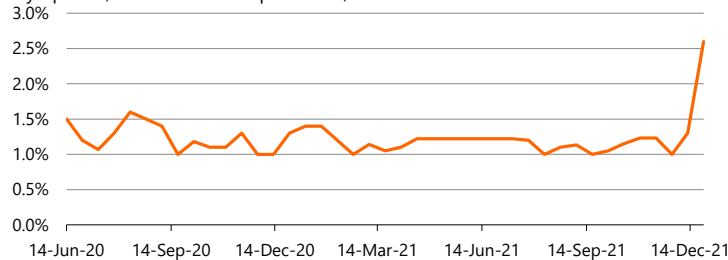
The United Kingdom has experienced a far different approach to COVID-19 than New Zealand, and so UK figures don't always present useful level comparisons with New Zealand or other parts of the world. But the change in trend is nonetheless of interest.

Workers off sick or not working due to COVID-19 has been recorded in the UK since early on in the pandemic. Although it is not possible to compare these absenteeism rates to pre-pandemic "usual" times, the Omicron effect on absenteeism is stark.

Graph 4

Worker absences skyrocket due to Omicron

% of workforce on sick leave or not working due to COVID-19 symptoms, self-isolation or quarantine, UK



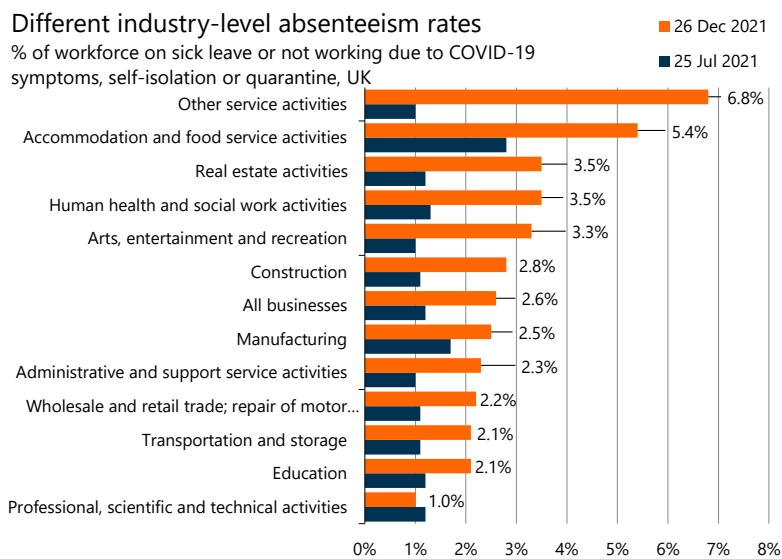
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On average, around 1.2% of the UK workforce has been absent from work for sickness or COVID-19 related reasons since mid-2020. However, at the end of December 2021 as Omicron spread rapidly across the UK, absenteeism rates spiked up to 2.5%.¹⁰

Omicron points to a doubling of absenteeism from levels seen earlier in the pandemic.

The same data from the UK also provides a window into the potential industry-level effects of this higher absenteeism. Industry-level results from the UK surveys are patchy, and so we have compared 25 July 2021 and 26 December 2021 as they respectively show the best industry-level coverage pre-Omicron, and the Omicron effect. Services activity show the highest absenteeism rates, as workers in these sectors are usually more exposed to interactions with many other people, increasing the exposure risk. Other services, accommodation, and hospitality industries all showed absenteeism rates of above 5% during the Omicron spread at the end of 2021 in the UK.

Graph 5



Office-based roles without as much contact with others, like in the professional, scientific, and technical services industry, showed the lowest levels of absenteeism.

¹⁰ Infometrics analysis of Business Insights and Conditions Survey (BICS) data from the UK Office for National Statistics (ONS), up to Wave 47. Retrieved from <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy>

Omicron presents supply challenges

The supply chain challenges that Omicron presents are obvious, concerning, and pressing. Action by government and industries to preserve and support transport, logistics, and distribution of essential goods and services will be required, including adequate and prioritized testing capacity, and balanced isolation requirements to enable health protocols to be maintained, but so that workers can get back on the job as soon as possible.

Previous restrictions allowed a considerable number of workers to operate, either as essential workers or working from home. High levels of COVID-19 Omicron in the community will affect all industries, presenting potentially more disruptive economic settings than have occurred before. An inability and unwillingness to operate like normal, due to isolation requirements and a fear of getting COVID-19, will likely culminate in de-facto lockdowns as the population limits exposure.

Some goods will be harder to get

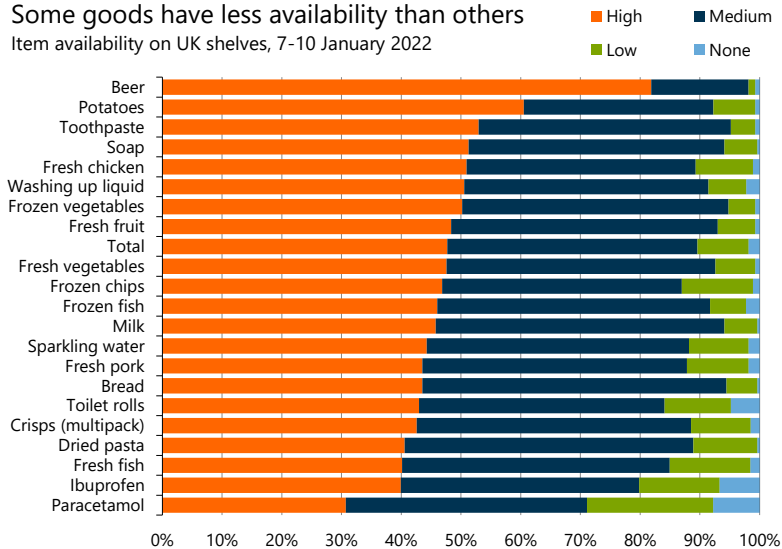
Supply of some essential goods is expected to become more difficult to maintain. Analysis of supermarket shelves in the UK for key items suggests that supply will be unable to cope with the increased demand for medicines.

In early 2022, a larger proportion of paracetamol and ibuprofen shelf availability was rated as low or no stock available. Around 29% of paracetamol shelves were low or empty, compared to just over 10% of all shelves.

Graph 6

Some goods have less availability than others

Item availability on UK shelves, 7-10 January 2022



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Fresh fish, pasta, chips, and toilet rolls were also notable products with less availability.

Importantly, the supply of these goods hasn't been able to keep up with demand. Between early November 2021 and early January 2022, a number of these products showed an even higher level of low or empty shelves.

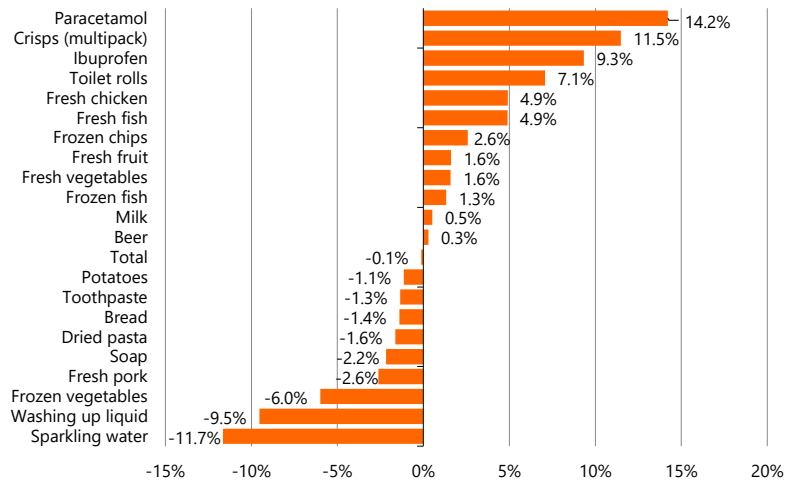
The proportion of low or empty paracetamol shelves rose nearly 12 percentage points, with chips, ibuprofen, and toilet rolls all seeing increases of more than 5 percentage points.

Graph 7

Shortages increase for some goods

Difference in proportion of goods deemed to have low or no stock, UK

Change, 10 Jan 2022
vs 1 Nov 2021



In general, it appears that goods are still being produced and manufactured, but the transport, delivery, and store access of goods is the bottleneck. Short-term disruptions and periods of low or no availability of goods is to be expected. Some stocking up of supplies is expected by New Zealanders and is appropriate with the need to be able to isolate throughout the Omicron outbreak if required.

Government and businesses, particularly of essential services, should agree reasonable protocols to enable essential goods and services to be able to be provided. These protocols may include bare limits isolation requirements, with input of health advice.

People won't go out as much, and more places will be closed

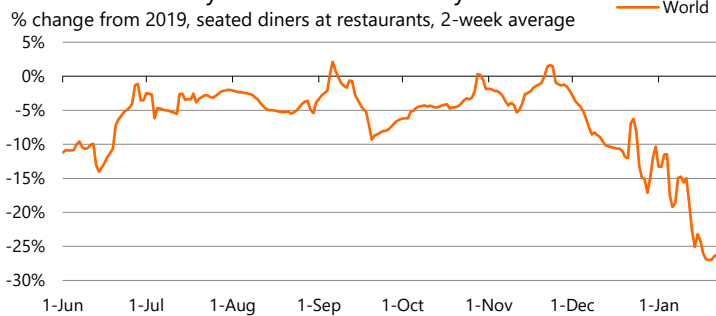
Overseas evidence also highlights that people are likely to reduce their activity in the economy throughout an Omicron outbreak. Australian spending and sentiment data from ANZ shows a considerable fall in early 2022, as people become more cautious about going out, and more people are required to stay home.

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Data from OpenTable shows that, despite the Delta variant continuing to spread throughout much of 2021, people still went out for meals. Restaurant activity continued to be at least 90% of pre-pandemic levels between July and mid-December. However, the Omicron outbreak has seen restaurant activity fall considerably, with activity since the start of 2022 being down 25% from usual levels.

Graph 8

Restaurant activity down 25% in January 2022



Immediate high demand for tests expected

Heightened levels of COVID-19 testing are expected throughout the Omicron outbreak. New Zealand's test capacity is likely to come under pressure as the number of positive cases rise, and demand for tests also increases.

In the UK, 57% of people had to take a rapid lateral flow test in the last seven days. If this testing rate was required in New Zealand, for the working age population aged 15+, 2.3m tests per week might be needed. This level of testing is an order of magnitude higher than New Zealand's peak testing week so far throughout the pandemic. Expanded supplies of Rapid Antigen Tests (RATs) are needed quickly to enable demand for testing to be supported.

Graph 9

COVID-19 testing expected to come under pressure

