



The impact of COVID-19 on Māori Land Entities **Part 3: Preparing to Thrive**

Prepared for Te Puni Kōkiri to support
Māori Land Entities through COVID-19

May 2020



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Introduction

Nā tō rourou, nā taku rourou, ka ora ai te iwi - while working in isolation might result in survival, working together can take our communities beyond survival and onto prosperity

The Whenua Māori team at Te Puni Kōkiri has commissioned Deloitte to prepare a series of three reports on COVID-19 impacts for Māori Land Entities.

This series of reports provides information for Māori freehold land owners to support key decision-making that will impact their whenua and their whānau.

The first report focused on **How to Respond** and the second report focused on **Prepare to Recover**.

This third report focuses on **Prepare to Thrive** and provides:

- **Questions to consider and action points** on how Māori Land Entities can prepare to thrive post-COVID-19
- Preliminary views on the **current economic impact** of COVID-19 on the land-based sectors - both domestically and across a number of advanced economies
- An assessment of **how sectors** that are of importance to Māori Land Entities **will re-emerge**
- Key **rebound economic indicators to monitor** in order to provide the clearest picture of timing of the rebound, and the most likely progression back to a normal economic environment
- **Scenario narratives** to support Māori Land Entities in the development of their strategies and planning to thrive.

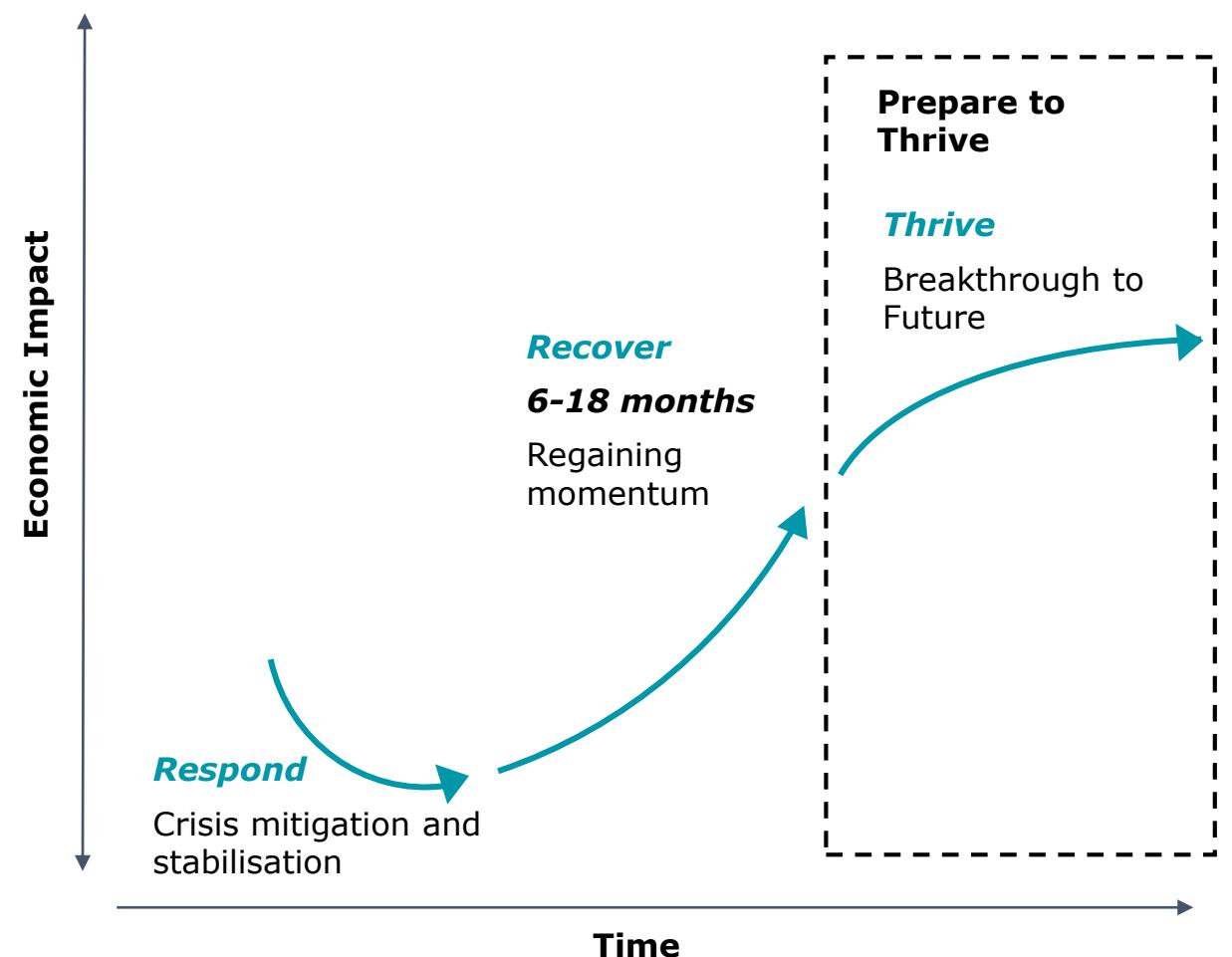
At the time of writing this report, we are in Alert Level Two. Domestic GDP growth is picking up slowly as sectors re-open. There will be a long tail to this recovery, but some hyper-vigilant countries like Taiwan, and vigilant countries like New Zealand and Australia are likely to emerge early.

After the shock: Learning to thrive in a post COVID-19 world.

The actions Māori Land Entities take during the recovery period can set the foundation to achieve sustained growth and performance after the pandemic is over.

Prepare to Thrive - the inflection from Recover to Thrive

Economic recovery is expected to take at least 6 to 18 months. After this period, Māori Land Entities should be able to thrive in a world where there is a "new normal".



Note: Steepness and duration of the curve shown is indicative and will differ by region, sector, and Māori Land Entity.

Respond, Recover and Thrive

A recap and context for this report

Recap

Respond

Manage continuity

Government lockdown intends to eliminate the COVID-19 virus

- Reduced likelihood of a severe outbreak
- No domestic or international travel
- Low consumer and business confidence
- Strong social cohesion and support across communities.

Recover

Learn and emerge stronger

Business investment and confidence take a hit. Unemployment rises.

- Income constraints and affordability concerns
- Job insecurity
- Re-opening domestic travel and supply chains, making most of the stimulus
- The possibility of a trans-Tasman bubble
- Other external factors such as drought add to concerns for farmers
- Business decisions driven by whether the sector is open and/or fiscal stimulus through COVID response packages / Budget 2020
- Business utilise digital platforms to perform business activities.

Thrive

Prepare for the next normal

Enabling businesses to thrive in a digital age is essential.

Decision making is driven by:

- The re-opening of sectors which unlock up- and downstream sectors
- Ability to shift business models to orientate towards online or contactless transactions
- Ability to enable the safety and security of the workforce and consumers to stimulate supply and demand
- Technology advancement and pursuit for customer centricity likely to remain important, driving interconnected supply chains and agility.

Context

- **With the vast majority of the global economy having now seen a sharp reduction in activity** due to COVID-19 and the non-pharmaceutical interventions put in place to control the spread of the disease, attention is now on the pathway to recovery.
- Economic forecasters debate on **the depth and duration of the COVID-19 impact on domestic and global economies**. But the **outlook for different sectors varies greatly**, which in turn impacts local economies differently.
- **Some sectors are well-placed to rebound relatively quickly as lockdown measures are relaxed, while others face a much more protracted downturn**, weighing more heavily on job security, business performance and the economy.

- Māori Land Entities need to understand these more granular economic implications to understand the challenges they face, and to identify the best options to help them thrive in the longer term.
- Māori Land Entities that better understand the impact of future disruptions and invest in being robust and adaptive will not only survive, but thrive in a (post) COVID-19 world.

Questions for Māori Land Entities

What does the economic outlook mean for the sectors in which Māori Land Entities operate?

What can we interpret from the different economic scenarios being debated, particularly in terms of demand for the goods and services we provide or might want to provide in the future?

COVID-19 | Preparing to Thrive

Critical questions for Māori Land Entities

Priorities	How to prepare to thrive
<p>Command Centre</p> <p>The team responsible for responding to the crisis</p>	<ul style="list-style-type: none"> • Indicators predict a long tail, are you adopting best-practice data capture procedures for COVID-19 compliance? • What are the leading rebound indicators that will enable you to best time the launch of recovery investment? • What lessons have you learned from the response period that will be a part of business as usual operations in the future?
<p>Talent & Strategy</p> <p>The plan for our staff</p>	<ul style="list-style-type: none"> • Do any changes to roles and responsibilities that were required during the Respond and Recovery phases now need to be clarified, agreed and documented for the new normal? • What workforce systems or training will be required to allow for workforce flexibility in the future (time recording for working from home staff, COVID-19 compliance training etc)? • Are you open to loaning/leasing staff to and from other organisations to assist with possible ramp-up and ramp-down of operations?
<p>Business Continuity & Financing</p> <p>Our continued existence as a business</p>	<ul style="list-style-type: none"> • What are your working capital requirements to facilitate the start of operations while maintaining adequate liquidity? • What is your cash strategy to preserve cash while also balancing the needs of your supplier and customer payment terms? • What are your capital requirements to support changes to the your business strategy?
<p>Supply Chain</p> <p>The resources we need to operate our business</p>	<ul style="list-style-type: none"> • How can you build greater visibility on your end-customer demand to ensure you can ramp up and ramp down production to match? • What are your end-customer demand signals and do you have a process or systems to obtain this information? • What are your supply chain priorities? Do you have any conflicting supply chain priorities within your organisation? • How have your customers and markets changed due to COVID-19? Will this be a lasting change or a temporary change?
<p>Customer Engagement</p> <p>How we stay in touch with our customers</p>	<ul style="list-style-type: none"> • What moments in people’s lives can you improve via your offerings? • How will the COVID-19 crisis impact end-customer growth strategies and the value that you provide to your end-customers and broader stakeholders? • What new, improved, and innovative offerings can you launch in the market that will give you momentum as we come out of COVID-19?
<p>Digital Capabilities</p> <p>The technology and support systems we need in the future</p>	<ul style="list-style-type: none"> • What technology investments were identified during the Response and Recovery phases, and do you have a plan to implement and adopt technology investments? • What technologies have you identified that will change the way you operate your organisation post recovery and what is your plan to mitigate the impact of these changes? • What technology do you need to reduce the impact of future economic pressure?

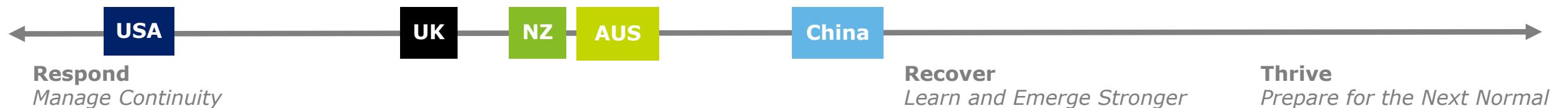
COVID-19 | Impact on trading partners

COVID-19 impact on sectors that are of importance to Māori Land Entities - a comparison of the New Zealand economy with key trading partners

Situation now as countries move from Respond, Recover to Thrive

Māori Land Entities need to understand the pandemic's impact on sectors in New Zealand and international markets. **It is important to monitor the progress of key trading partners as it will provide insights into global economic recovery, influence changes in exports and impact Māori Land Entities' ability to thrive.**

- The scale below illustrates how New Zealand compares to a number of countries on the scale from Respond, Recover and Thrive. The geographies identified are proxies for key trading partners, and provide a broad geographic spread of sector impacts.
- The USA is still in the Respond phase; the UK, NZ and Australia have early signs of Recovery; China is moving from Respond to Recover.



The matrix below offers a visual snapshot of how sectors across a number of key trading partners are currently weathering COVID-19, particularly the lock-down period. Sectors such as retail trade are included to understand sentiment in the retail market and to give an indication of consumer behaviour and the economic impact of lockdown within these countries.

Sectoral outlook across key trading partners

■ Positive impact
 ■ Neutral impact
 ■ Moderate negative impact
 ■ Severe negative impact

Sector	Trading Partners				
	United States of America	Australia	China	United Kingdom	New Zealand
Agribusiness	Moderate negative impact	Moderate negative impact	Neutral impact	Moderate negative impact	Moderate negative impact
Consumer goods	Neutral impact	Neutral impact	Neutral impact	Positive impact	Moderate negative impact
Retail trade	Positive impact	Neutral impact	Neutral impact	Positive impact	Moderate negative impact
Tourism	Severe negative impact	Severe negative impact	Moderate negative impact	Severe negative impact	Severe negative impact
Wholesale and distribution	Moderate negative impact	Moderate negative impact	Neutral impact	Severe negative impact	Moderate negative impact
Shipping and ports	Moderate negative impact	Severe negative impact	Neutral impact	Severe negative impact	Severe negative impact
Power and utilities	Neutral impact	Neutral impact	Neutral impact	Neutral impact	Positive impact
Property services	Moderate negative impact	Moderate negative impact	Neutral impact	Severe negative impact	Moderate negative impact

Source: Deloitte analysis

COVID-19 | Impact on trading partners

High-level commentary on the likely sector outlook across trading partners

Target sector	USA	Australia	China	UK	NZ
Agribusiness	<ul style="list-style-type: none"> Significant challenges related to supply chain disruption, cost to serve, and workforce transition. While demand is up, payroll and transportation costs are significantly increasing. 	<ul style="list-style-type: none"> The environment will be challenging in the short term due to the combination of recent difficult season conditions and COVID-19. Medium term prospects remain high for livestock production. 	<ul style="list-style-type: none"> Output is depressed in the short term. In Q1 2020, agricultural production fell 11.1% year over year (YOY). 	<ul style="list-style-type: none"> There is a short term impact due to challenges with worker availability. However, alternative supply options are being established in the medium term to reduce supply risks. 	<ul style="list-style-type: none"> Uncertainty around global demand prevails. However, exports are expected to increase albeit at lower export prices. Local displaced workers are transitioning into agribusiness. 
Consumer goods	<ul style="list-style-type: none"> Increased demand for consumer products such as essential and household staples. 	<ul style="list-style-type: none"> Mix of increased and decreased demand due to a shift towards online shopping during a period where movement is restricted. 	<ul style="list-style-type: none"> In Q1 2020, online sales of food increased 32.7% YOY. 	<ul style="list-style-type: none"> Mid-sized to small consumer product companies will experience the most impact. However, the impact will be dependent on the company's product portfolio. 	<ul style="list-style-type: none"> Shopping habits have changed. With the exception of a couple of weeks of panic buying prior to and in the early stages of lockdown, the COVID-19 impact on shopping across categories has been relatively stable. 
Retail trade	<ul style="list-style-type: none"> Non-essential retailers face the most serious challenges while grocery and convenience stores are seeing a surge in demand. There are convergence opportunities as retailers and health care continue to align. 	<ul style="list-style-type: none"> Increased demand for essential and household staples during the peak of the crisis likely to be followed by a period of catch up, as consumers will not need to buy as much for a while. Many non-essential retailers shutting doors. 	<ul style="list-style-type: none"> In Q1 2020, supermarket sales increased 1.9% YOY, while convenience store sales saw a 12.6% decline YOY due to store closures amid the pandemic. Normalisation is expected post-crisis. 	<ul style="list-style-type: none"> Demand and sales are significantly exceeding previous peaks and are helping to drive profitability and liquidity. There are concerns with supply of some products due to worker availability in processing. 	<ul style="list-style-type: none"> Retail sales dropped nearly 80% in April but are expected to increase in 2020. Consumer spending patterns change in an economic downturn and retailers should have a clear view of which of their categories are discretionary versus more "recession proof". 

Source: National Bureau of Statistics in China, Deloitte

 Positive impact
  Neutral impact
  Moderate negative impact
  Severe negative impact

COVID-19 | Impact on trading partners

High-level commentary on the likely sector outlook across trading partners

Target sector	USA	Australia	China	UK	NZ
Tourism (including shipping and ports)	<ul style="list-style-type: none"> Airline, cruise and hospitality companies are facing existential crises around liquidity and demand. Alliance opportunities and restructuring potential key areas of focus. 	<ul style="list-style-type: none"> Two waves of impact are hitting Australia at the same time. Bush fires over the summer during the peak tourism season resulted in cancelled bookings across the country, even in areas away from fire damage. The impact of COVID-19 on top of the fires has left the tourism sector struggling. If the Australian dollar remains low, domestic tourist numbers are likely to rebound. 	<ul style="list-style-type: none"> Travellers are avoiding China in the short term, but some recovery is expected in the medium term. Port and shipping activity is low. Activity is expected to return to pre-COVID-19 levels as businesses return to normal. Hospitality is effectively closed. Some recovery is expected in the medium term. 	<ul style="list-style-type: none"> Significant negative impact due to lockdown measures. Many airlines have been grounded. The longer the situation continues, the higher exponential delay in recovery as the wider economic impact and flow through to consumer confidence puts people off booking travel. This could drive a potential structural impact to the sector. 	<ul style="list-style-type: none"> As New Zealand moves through Alert Levels, the gap between scheduled and departed flights should close over the long term. The option of a trans-Tasman bubble is currently being explored, with the possibility of expanding to the Pacific. Long-term success will depend on the tourism sector's ability to pivot to a domestic and trans-Tasman market.
Power and utilities	<ul style="list-style-type: none"> Decrease in electricity demand felt in some regions along with electric shutdowns. In some cases reduced rates are anticipated to reduce earnings and the ability for suppliers to obtain access to cash. Decrease in oil prices may reduce the push towards electric vehicles. 	<ul style="list-style-type: none"> Total electricity generation is down by ~3% but there has been much less effect on the sector in general than other sectors. Prices for both electricity and gas fell to their lowest levels since 2015. 	<ul style="list-style-type: none"> The recovery of energy demand suggests life in China is returning to normal. According to the National Daily electricity consumption in April exceeded consumption in the same month last year by 1-2%. 	<ul style="list-style-type: none"> There has been a reduction in industrial demand during the lockdown, which is driving lower wholesale electricity prices. A quick recovery is expected post-COVID-19 	<ul style="list-style-type: none"> Demand increasing to pre-COVID levels as the economy opens up. Opportunity for businesses to work with the government and customers for a low-carbon energy sector for a more sustainable New Zealand.

Source: National Bureau of Statistics in China, Deloitte

COVID-19 | Impact on trading partners

High-level commentary on the likely sector outlook across trading partners

Target sector	USA	Australia	China	UK	NZ
Property services	<ul style="list-style-type: none"> Certain sub-sectors will be more impacted such as retail and hospitality. In a normal down cycle this sector is generally slow to react. However, for this cycle the impact is more immediate due to significant rent forbearance or concessions. Capital is still heavily attracted to the sector, which was the case pre-COVID-19 and anticipated to be the same post-COVID-19. 	<ul style="list-style-type: none"> Rental and hiring services include a large discretionary component which will result in a decrease in demand. The property services market is unlikely to recover until 2021 at best. Only a small proportion of government stimulus is specifically directed at infrastructure spending. 	<ul style="list-style-type: none"> The majority of asset owners face significant pressure on rent concessions and are being affected by the early termination of leases as well as the decrease in contingent rents from retail sectors. 	<ul style="list-style-type: none"> In the short term, the impact will be significant due to travel bans, staff shortages and market volatility, reducing activity and delaying contract commitment and completion. In the medium to longer term, institutions will seek opportunities to complete contracts they put on hold. 	<ul style="list-style-type: none"> RICS anticipate a 0.4% rent increase for prime industrial properties. However, a total decrease of 3.7% for New Zealand commercial rent is expected over the next 12 months. Capital value expectations are less dramatic, with an anticipated total decrease of 2% for New Zealand commercial property values over the next 12 months. 
Wholesale and distribution	<ul style="list-style-type: none"> Supply chain risk and workforce challenges dominate along with liquidity and demand concerns. 	<ul style="list-style-type: none"> Some wholesalers are benefiting from online sales but most will need to come up with innovative solutions to logistic issues. 	<ul style="list-style-type: none"> Demand was impacted but was buoyed by online purchase and home delivery. 	<ul style="list-style-type: none"> Demand was impacted but was buoyed by online purchase and home delivery. 	<ul style="list-style-type: none"> Demand was impacted but was buoyed by online purchase and home delivery. Addressing the backlog of orders is a concern. 

Source: National Bureau of Statistics in China, Deloitte

 Positive impact
  Neutral impact
  Moderate negative impact
  Severe negative impact

Post COVID-19 | Predicting the post-pandemic rebound

A Trans-Tasman 'bubble' and domestic tourism could be part of the answer to the tourism sector's recovery and steps to take now to ensure the sector will thrive.

Domestic tourism

- We have **mapped out all the spending that usually occurs in New Zealand** along with the spending of New Zealanders travelling overseas to provide a view of total potential domestic tourism expenditure.
- Categorising tourism expenditure in this way sheds light on how outbreak control measures, as necessary as they are to save lives, **impact various categories of tourism demand** – and importantly which expenditure categories could help lead the return of activity to the sector.
- **Domestic travellers could lead the early stages of recovery.** Travel restrictions stop people from travelling in and out of the country. This represents an opportunity for regions to 'redirect' and 'retain' some of the expenditure that New Zealanders would have spent overseas.
- **This 'retained spending' opportunity could be worth up to \$8 billion based on previous spending patterns - \$6 billion in the North Island and \$2 billion in the South Island.**

Expenditure categories of visitors and New Zealanders in New Zealand, year to January 2020

North Island



South Island

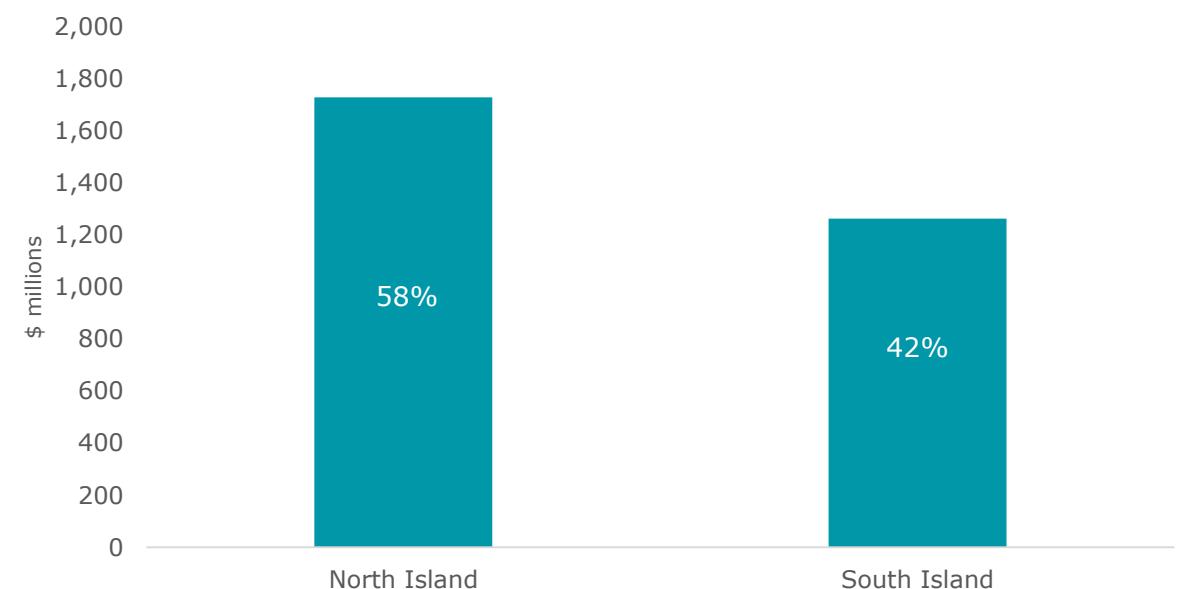


Source: Statistics New Zealand

Trans-Tasman bubble

- A trans-Tasman bubble could **represent \$3.0 billion in revenue** generated by Australians travelling to New Zealand, based on spending patterns in the year to January 2020. This opportunity would depend on the income constraints of Australians and their willingness to travel.
- **Australia is New Zealand's largest international visitor market**, and their spending accounted for 23% of total spending by international visitors before COVID-19. 58% of spending by Australians took place in the North Island, while 42% occurred in the South Island, based on previous spending patterns.
- **More than 50% of international tourists engage with some form of Māori cultural experience** while they are in New Zealand. Pre-COVID-19, New Zealand had an average of 3.8 million visitors engaging in 37 million activities; with 27% visiting a geothermal park and 25% visiting a place of significance to Māori (NZTA, 2017).

Trans-Tasman 'bubble' spending opportunity, North and South Islands, year to January 2020



Source: Deloitte, MBIE

Post COVID-19 | Predicting the post-pandemic rebound

The following indicators can be traced to provide a clear picture of the timing of the rebound, and the most likely progression back to a normal economic environment

Exports

New Zealand exports are facing uncertainty during COVID-19 due to reduced demand and supply chain disruptions.

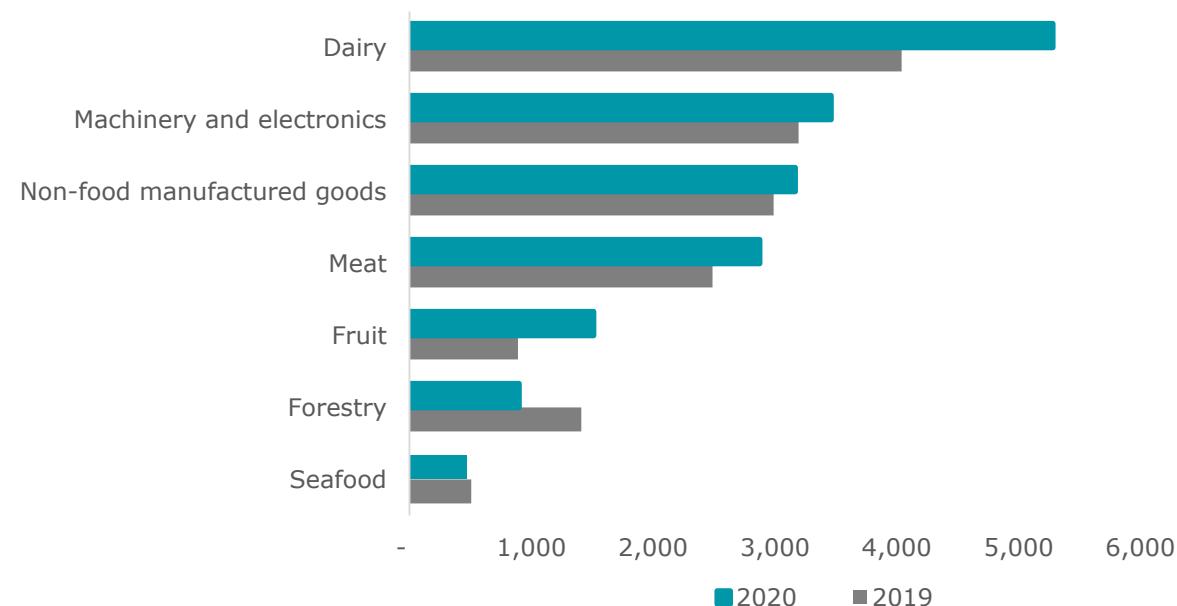
The COVID-19 impact can be seen in a comparison of the period 01 February to 13 May for 2019 and 2020:

- Sectors which continue to see positive exports, and growth from 2019, are **Dairy, Fruit and Meat**, with **positive growth of 31%, 69% and 16%** respectively.
- **Forestry and Fisheries** have seen **negative growth of -36% and -7%** respectively.
- Non-food manufactured goods and Machinery and electronics sectors all experience smaller forms of growth between 6% and 8%.

Sector exports show continual export growth from the COVID-19 shock, rebounding from export levels seen from 29 April 2020.

The Trade Balance for April (2020) showed net traded goods of \$1.3 billion. Historically, New Zealand has higher values of imported goods over exported goods, making this the highest Trade Balance recorded (1960-2020).

Exports
(\$NZ million, 01 February to 13 May, 2019 and 2020)



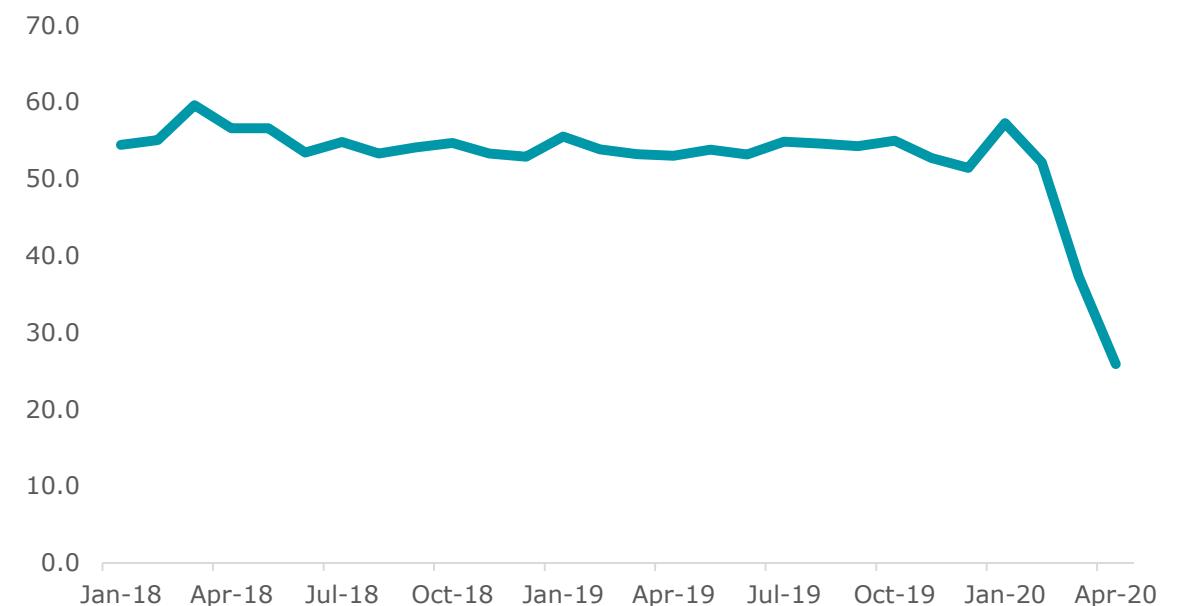
Source: Statistics New Zealand

Performance Services Index (PSI)

Similar to PMI (performance of manufacturing index), **PSI is an early indicator of economic activity**. A PSI reading above 50 points indicates manufacturing activity is expanding; below 50 indicates it is contracting.

- The **PSI dropped to 25.9 in April**, an 11.4 decrease from the previous month. This is **significantly lower than** the low of 44.9 experienced during the Global Financial Crisis.
- **The PSI is expected to return to relatively strong levels of activity**. However, recommended social distancing restrictions for business will drag the rebound for PSI.
- Internationally, **China is the only country with a rebounding PSI (44.4)**. The Eurozone has an international low of 12.0, with the United Kingdom slightly ahead with a 13.4 PSI.

Performance Services Index
(January 2018 to April 2020)

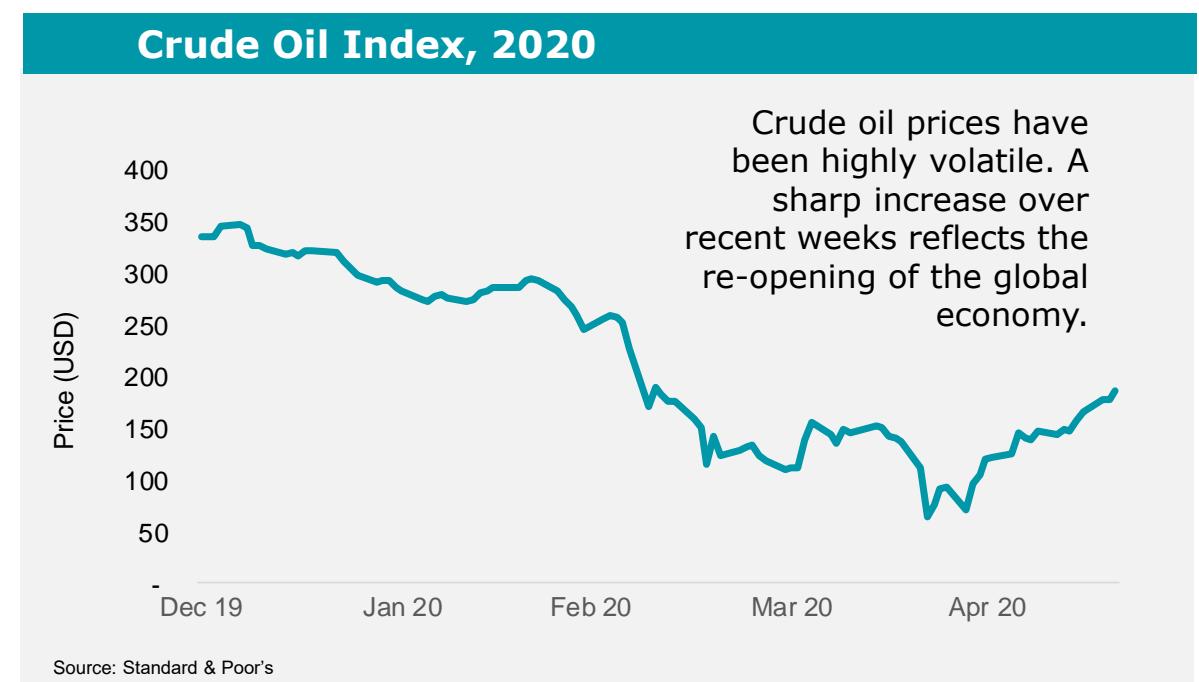
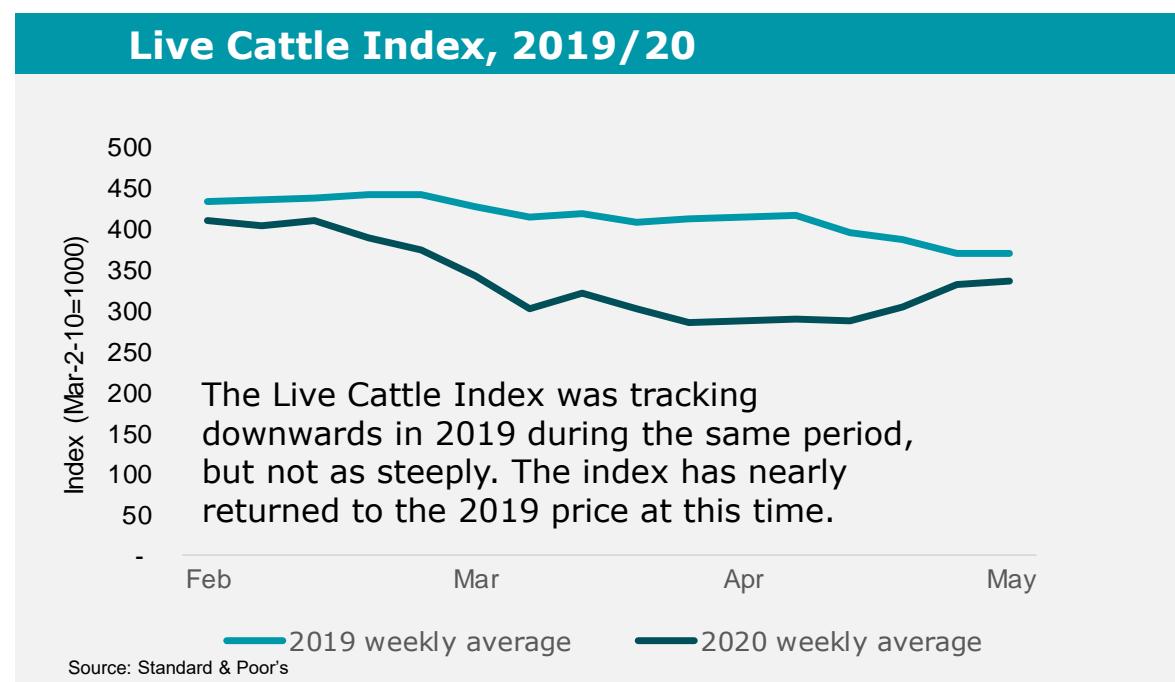
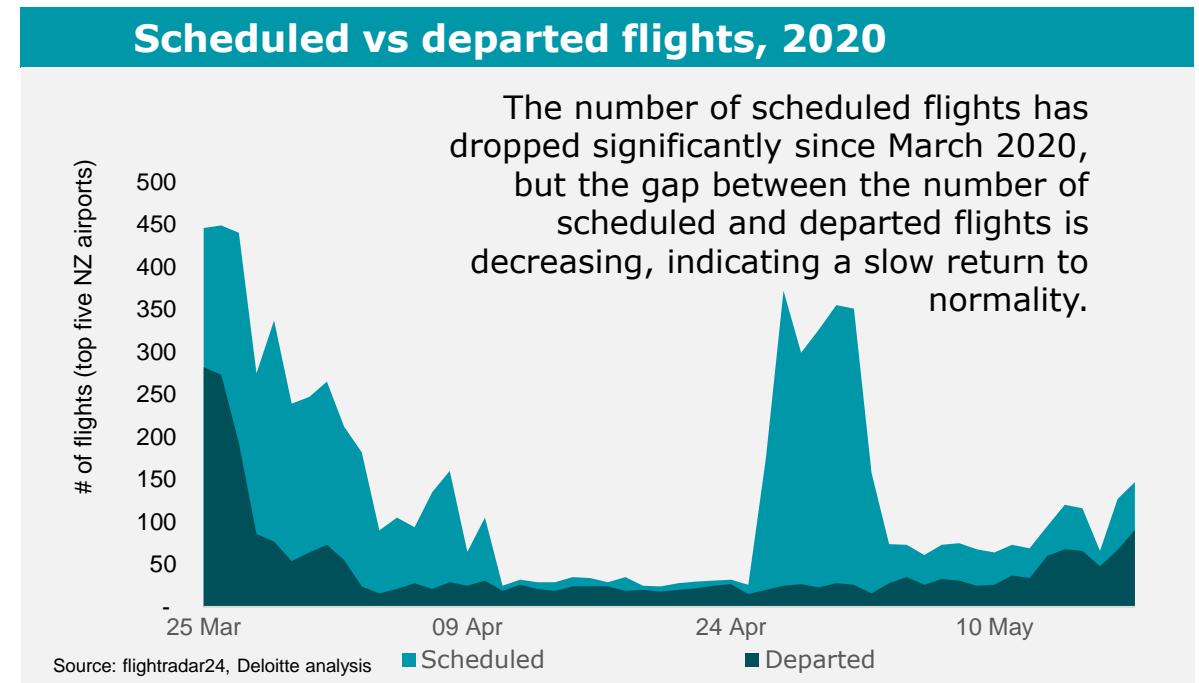
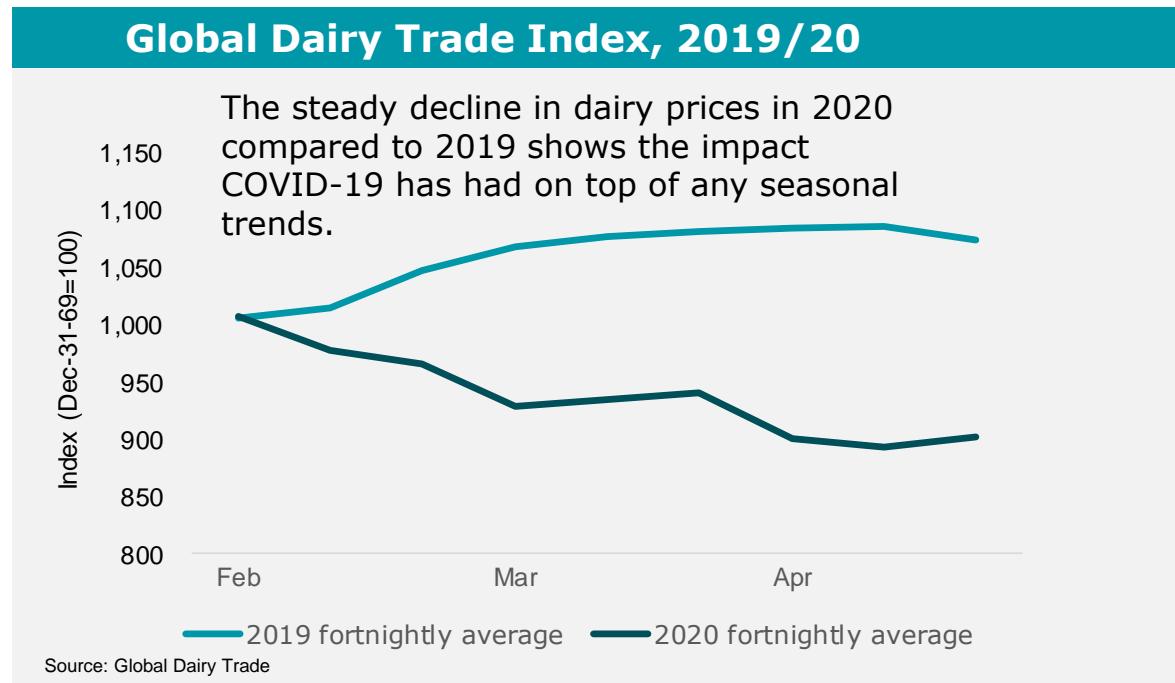


Source: BNZ

Post COVID-19 | Predicting the post-pandemic rebound

The following indicators should be tracked to provide the clearest picture of timing of the rebound, and the most likely progression back to a normal economic environment

The two indexes on the left (Global Dairy Trade and Live Cattle) align closely with the discussion for these sectors earlier in the report, and the **Crude Oil Index influences the input cost for most land-based sectors**. Included in this report is a graph showing scheduled vs departed flights across the top five New Zealand airports, **which can be used as an indicator of economic upturn** and provide a proxy for available cargo capacity.



Post COVID-19 | Expected “next normal” shifts

“Next normal” expected shifts and opportunities

The future post COVID-19 environment is going to look different. Below are a number of shifts that are expected to emerge in the domestic environment. The shifts are scaled from “most certain” to “least certain” based on how likely it is that the shift will occur. The emerging factors below provide opportunities for Māori Land Entities to be cognisant of in their planning to Thrive in the future.

Opportunities



Invest in digitisation

Higher adoption of digital, Cloud, IA, automation.



Rethink consumer expectations

Consumers may change their purchasing behaviour and could be more environmentally focused with their choice of purchases.



Climate change

Investors are likely to continue to drive focus on climate change.



Enhanced focus on cost reduction and financial health

Cost reduction will be at the forefront of planning. Accelerate discussion regarding medium-to-longer term financial health.



Plan for resilience

Resilience will be a pre-requisite for supply chains.



Prioritisation to improve inequality

Focus on inequality in the economy and how to improve it.



Strong Government

Unprecedented levels of fiscal stimulus and iwi partnerships to secure and grow the national and Māori economies.



Blurring of industries

Converging of adjacent/non-traditional industries to meet expanding consumer expectations and needs.



Population and participation

Migration as economies open their doors; and keeping people connected to the labour market in the new future of work environment.



Most certain

Least certain

Post COVID-19 | Re-emergence of sectors

How are Māori Land Entity focused sectors likely to re-emerge?

To demonstrate how sectors are likely to re-emerge, the Deloitte Global strategy team developed a re-emergence index based on key influencing factors. It is likely we will see the sequencing segmented into the three tranches and activity reintroduced similarly. The re-emerging sector sequence will be influenced by the necessity of sectors and activities to sustain communities, such as healthcare and utilities.



Note: All of these activities are, of course, essential for the long-run health of the economy and society. The concept considered here is the severity of the impact on the immediate functioning of the economy and society.

As New Zealand begins to recover, some sectors are going to re-emerge more strongly than others. There are a number of influencing factors that will determine how fast that sector is able to bounce back. These factors are:

The infection impact:

The infection impact is determined by the potential risk of infection within a sector. Domestically, COVID-19 cases have been very low, but internationally, high numbers of cases can have a severe impact on sectors such as tourism.

GDP contribution:

The government is continually trying to prioritise funding and initiatives to help certain sectors recover. One key factor that will be taken into account is the Māori GDP contribution of that sector to the Māori economy (BERL, 2013). The contribution for all agriculture-related sectors is based on the GDP contribution of agriculture.

Employment contribution:

Employment contribution is determined by the number of Māori employees in each sector as a proportion to the total Māori economy. Again, the Government is likely to prioritise sectors that reemploy a large number of people. The fact that some sectors are able to utilise employees who may have been made redundant will also be taken into account.

Exposure to exports:

The re-emergence of sectors with export exposure will be sequenced considering the recovery of the global economy, and of key export partners. This indicator shows how export intensive the sector is based on the percentage of exports to GDP for each sector in 2019.

Post COVID-19 | Scenarios

Scenarios to consider for strategic decision making

How can Māori Land Entities position themselves to Thrive?

- It is time for strategic decision makers to think about 'what's next?'
- **Scenario planning** is an appropriate and useful tool for Māori Land Entities to use as they plan to **Thrive**.
- **Making the right decision at the right time** has never been more important than now, and good decisions are based on good information. While nobody can be certain about what the future holds, it is important to consider what the future could look like so that Māori Land Entities can make the best decisions for our communities, organisations and whānau today.
- Given the high-degree of uncertainty surrounding the future, **we suggest that Māori Land Entities take a scenario planning approach to their strategic planning**. The benefit of scenario analysis is that it allows you to test your strategic response plan against a number of different outcomes and **identify the key decision points for your business**.

As you reflect on these scenarios, consider:

- Which scenarios best describe the environment your entity appears to be preparing for?
- Is there a scenario your entity is currently ignoring but should be considering?
- What would your entity need to do differently in order to maximise success in each of the scenarios?
- What capabilities, partnerships and workforce strategies do you need to learn more about?

There is a short and crucial window of time over the coming months for Māori Land Entities to prepare for the next normal that will follow.

The scenarios presented in this report serve as a useful starting point, but specific circumstances of your sector and entity are required to be considered in addition for the scenarios to be relevant to your strategic decisions.

The scenarios presented in this report are a starting point. To be relevant and to inform your own strategic decisions you will need to also consider the specific circumstances of your sector and entity.

Post COVID-19 | Scenarios

What the world could look like for Māori Land Entities after the crisis passes

Three scenarios for the future

- This section of the report looks at three scenarios for the future, designed to spark insight and identify opportunities for how the sectors of importance for Māori Land Entities might evolve over the next three to five years.
- The scenarios presented in this report serve as a useful starting point, but the specific circumstances of your industry and entities are required to be considered in addition, for the scenarios to be relevant to your strategic decisions.
- Although the number of scenarios are endless during this time of uncertainty, our resulting set of scenarios range from:
 - the future we hope for (best case)
 - the future we should prepare for (mid-case)
 - the future we need to avoid (worst case).
- Each scenario considers the likely outcome for the domestic economy, the global economy and the sectors that are of importance to Māori Land Entities.
- The scenarios are not predictions about what will happen, they are hypotheses about what could happen, and designed to frame planning discussions.

Key uncertainties

The next few slides outline a set of scenarios that describe **what the future could hold for New Zealand**. The scenarios are designed around three key uncertainties:

1

The effectiveness of the public health response and public compliance

2

The effectiveness of Government economic support

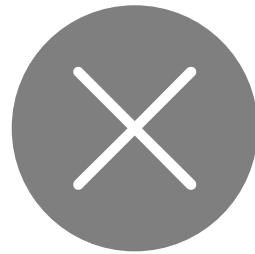
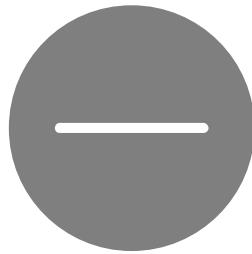
3

Global economic conditions

Post COVID-19 | Scenario 1

Best Case

A rapid recovery



Mapping the scenario against the three uncertainties

Effectiveness of the health response



Effectiveness of Government economic support



Global economic conditions



Scenario description

A successful public health response limits the health impact of COVID-19 rapidly. Exceptional Government financial support and favourable global economic conditions enable a rapid economic recovery. Compliance of the population and technology advancement are the tenants of this scenario.

COVID-19 is eradicated earlier than anticipated due to coordinated measures by global players to spread awareness and share best practices. A vaccine is available in April 2021 and international borders open at the same time.

Most international borders remain closed until a vaccine is available in April 2021, but some travel restrictions are eased for countries that have contained COVID-19. This includes a trans-Tasman bubble and other international alliances that will have a significant positive impact on the tourism sector.

Why is this scenario plausible?

New Zealand has a good track record of almost zero confirmed cases since the move to Alert Level 2. A number of countries have managed to contain the current COVID-19 outbreak by using a combination of social isolation restrictions and high levels of testing. Testing equipment is also rapidly developing as the need for this equipment soars.

Likelihood

We believe this is plausible but a lot of things have to go right – including the rapid development of new testing technology and a global economic recovery.

Post COVID-19 | Scenario 1

What does it mean for Māori Land Entities?

A rapid recovery

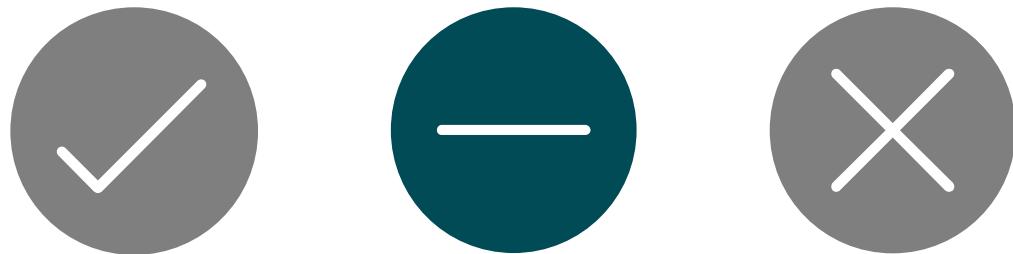
Sector	Anticipated scenario impacts
Domestic economy	<ul style="list-style-type: none">• Pandemic containment efforts prove successful, but manifest in a short-lived economic contraction that is followed by gradual recovery reflecting the long-lasting consequences of the economic plunge.
Fiscal stimulus	<ul style="list-style-type: none">• Stimulus funding limits the shock and bolsters consumer confidence, returning growth in late 2020.
Tourism	<ul style="list-style-type: none">• This scenario sees hospitality and recreational sectors severely impacted in the short-term, but experiencing a much quicker recovery than in other scenarios. The return of international tourism takes some time before people regain the confidence and financial means to resume international travel.
Agriculture	<ul style="list-style-type: none">• Forestry, agriculture and fisheries are also relatively quick to pick up, as China's recovery has solved previous supply chain issues and the low New Zealand Dollar is improving our global competitiveness.
Commercial property	<ul style="list-style-type: none">• Commercial property services is causing business bankruptcies, rising vacancy rates and a permanent increase to remote work. The negative effects will be a burden shared by both commercial property owners and renters. The quick recovery of the construction sector is a positive indication for the commercial property sector.
Other	<ul style="list-style-type: none">• While small and medium-sized businesses will be hurt, and the economic impact will be severe, this scenario anticipates a relatively quick normalisation of conditions.
Global economy	<ul style="list-style-type: none">• Global shutdowns result in a recession in 2020.• New testing technology supports the rapid return of the global economy, which in turn supports New Zealand's main export sectors. This will have positive implications for all export-exposed Māori Land Entities.

As this scenario takes place and has a relatively quick recovery, the Thrive questions provided in this report can assist Māori Land Entities with strategic decision making.

Post COVID-19 | Scenario 2

Mid Case

A slow recovery



Mapping the scenario against the three uncertainties

Effectiveness of the health response



Effectiveness of Government economic support



Global economic conditions



Scenario description

The public health response is effective. However, there is limited technology improvement in case detection and tracing and this results in a growth in the number of cases over time. This post-COVID-19 scenario is therefore likely to start in July 2021 with a slow economic recovery.

The pandemic persists past initial projections, and a vaccine is developed and enters mass-production in July 2021.

International borders remain closed until July 2021 and the economic recovery begins 2021. This includes a possibility of a trans-Tasman bubble late 2020.

Why is this scenario plausible?

New Zealand contained COVID-19, however globally there is some way to go until the outbreak is completely contained. Technological advances are limited. While the government is spending big, it is still not enough to avoid low inflation and low investment leading to slow economic growth.

Likelihood

This scenario is the most likely to occur given Government's response to date and global recovery and global economic conditions.

Post COVID-19 | Scenario 2

What does it mean for Māori Land Entities?

A slow recovery

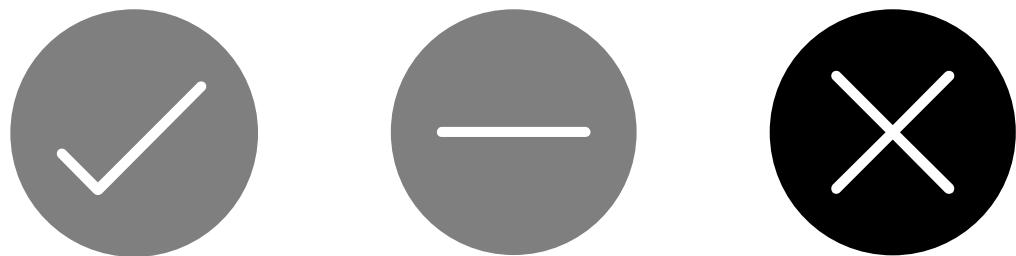
Sector	Anticipated scenario impacts
Domestic economy	<ul style="list-style-type: none">The lockdown from COVID-19 causes sharp declines in consumer spending, GDP and employment. The economy faces an unprecedented slowdown, and years of rebuilding.
Fiscal stimulus	<ul style="list-style-type: none">Significant levels of government spending drive increased economic growth and return inflation closer to normal levels.
Tourism	<ul style="list-style-type: none">Tourism related sectors such as recreational and hospitality sectors are severely impacted in the short-term until domestic travel is allowed, although they remain under pressure until international borders reopen in July 2021. The Trans-Tasman bubble brings some hope at the end of 2020.
Agriculture	<ul style="list-style-type: none">Agriculture is less affected as food is naturally an essential activity. Agriculture can capitalise on lower costs of production, a low exchange rate, and improved access to markets.
Commercial property	<ul style="list-style-type: none">Commercial property services sector experiences acute weakness in the short-term. As the economy recovers, the commercial sector recovers gradually as employment and incomes are re-secured.
Other	<ul style="list-style-type: none">Geothermal will also continue to operate as demand normalises relatively quickly.Business closures will increase and business entrants will decline. Small and medium-sized businesses will be mostly impacted relative to large firms.
Global economy	<ul style="list-style-type: none">The global economies struggle in a similar vein. While the virus is largely contained, the ongoing global economic cost is significant.The ongoing global economic cost is having a negative impact on Māori Land Entities in export-exposed sectors. On the upside, the lower New Zealand Dollar and China's rebound supports export focused sectors.

As this scenario presents a slow recovery, the questions provided in the Recover report can assist Māori Land Entities with business decision making.

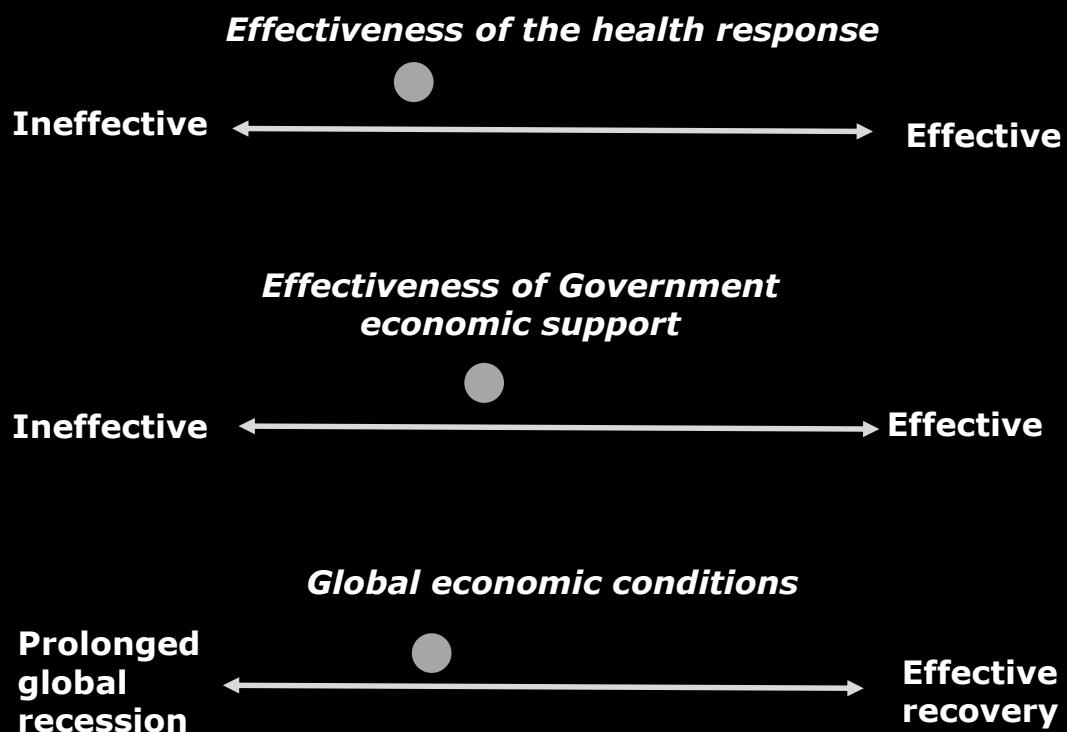
Post COVID-19 | Scenario 3

Worst Case

Sustained economic disruption



Mapping the scenario against the three uncertainties



Scenario description

In this scenario, New Zealand both struggles to contain COVID and the economic recovery from the recession is delayed. This scenario sees ineffective measures to control the outbreak of the virus in New Zealand resulting in waves of reinfection causing devastating loss of life and deep economic disruption over a prolonged period.

The COVID-19 pandemic becomes a prolonged crisis as a resurgence of the virus happens with a possibility of a natural disaster.

While there is a short period of relief as the first Alert Levels are lifted, this is rapidly reversed as a second lockdown is likely required. Most international borders remain closed until a vaccine is available and distributed by December 2021.

Why is this scenario plausible?

As New Zealand moves between Alert Levels there is a second wave of COVID-19, and this could create panic and further uncertainty. We are in unprecedented times and small missteps now can have devastating consequences in the future. In particular, people's behaviour can become exceptionally individualistic when their own or their family's wellbeing is threatened in the way described in this scenario.

Likelihood

This scenario is unlikely. New Zealand has social cohesion, an excellent health system, strong Government institutions and healthy Government debt to GDP ratio relative to other advanced economies.

Post COVID-19 | Scenario 3

What does it mean for Māori Land Entities?

Sustained economic disruption

Sector	Anticipated scenario impacts
Domestic economy	<ul style="list-style-type: none">• New Zealand's economy faces a deadly mixture of fear, failed containment measures and social disruption.• The effect of the second lockdown is greater than the first, as business defences are depleted. There is a permanent negative wealth shock.
Fiscal stimulus	<ul style="list-style-type: none">• The Government continue to provide stimulus packages, but reach an alarming debt level of 60% of GDP to do so. This results in a significant hangover for the next generation to pay off.
Tourism	<ul style="list-style-type: none">• Tourism related sectors such as hospitality and recreation struggle through the crisis, with many failing and going bankrupt resulting in a large loss of employment without any further extension of wage subsidy support.
Agriculture	<ul style="list-style-type: none">• Agriculture is less affected as food is naturally an essential activity.• Slower growth in the construction sector will flow through to the Forestry sector.
Commercial property	<ul style="list-style-type: none">• Demand for commercial property services remains subdued due to the further lockdown, rising unemployment and weak income growth.
Other	<ul style="list-style-type: none">• Industries that are reliant on external investment, such as construction and electricity services show slower growth relative to other scenarios.• Some industries see the majority of small businesses go to the wall. It will take a long period to rebuild supply chains as a result of the sustained economic damages.
Global economy	<ul style="list-style-type: none">• The global economy begins its economic recovery in the later part of 2022. The global economic downturn and investor uncertainty dramatically impact the capital markets.• Amidst the bleak economic backdrop, there are a few high-growth opportunities. Large entities respond quickly and learn out how to configure and restructure their supply chains, observing a rapid growth in output after the crisis.

As this scenario takes place and as the country moves between Alert Levels, the questions provides in the Respond report can assist Māori Land Entities with business decision making.

Conclusion

The two previous reports have discussed how to **Respond** and **Recover** as Māori Land Entities within a COVID-19 environment. This report, the third and final of the series, looks at how Māori Land Entities can prepare to **Thrive** after the COVID-19 pandemic.

The key highlights from the report are:

- There are a **number of critical business questions** that Māori Land Entities should consider and answer. These questions aim to stimulate thinking for your business to **Thrive**.
- The current **international and domestic impacts** of COVID-19, while preliminary, show similar impacts across sectors and economies - influenced heavily by movement restrictions. For New Zealand, our ability to Thrive is linked to the fortunes of our trading partners and ability to export. Māori Land Entities could use the analysis as indicators of rebound in key export markets.
- The **re-emergence sequencing of key sectors**. For Māori Land Entities, sectors to first emerge are likely to be **geothermal, dairy and horticulture sectors**; followed by sectors that facilitate broader economic re-emergence.
- There are many possibilities and outlooks for New Zealand. We have developed scenario narratives to support Māori Land Entities in the **development of their strategies and planning to Thrive**.

This series of reports provides information tailored for Māori land owners, in order to support business decision making during the COVID-19 pandemic. This has included business continuity questions, relevant economic outlooks and analysis, and analysis of key land-based sectors – in the efforts to support economic rebound and recovery within New Zealand.

As New Zealand moves through the various phases of the COVID-19 pandemic, continue to monitor key economic indicators. This series of reports is a starting point and framework for business to consider as we progress from **Respond, to Recover and Thrive**.



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Te Puni Kōkiri disclaimer

This publication is intended to provide information on the matters contained herein and includes analysing the extent of the impact of Coronavirus (COVID-19) on Maori Land Entities as at the date of the publication. It has been written, edited and published and made available to all persons and entities strictly on the basis that its authors, editors and publishers are fully excluded from any liability or responsibility by all or any of them in any way to any person or entity for anything done or omitted to be done by any person or entity in reliance, whether totally or partially, on the contents of this publication for any purposes whatsoever.



Te Puni Kōkiri
MINISTRY OF MĀORI DEVELOPMENT

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This report includes analysing the extent of the impact of Coronavirus (COVID-19) on Maori Land Entities. At the time of the Services, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis will have on Maori Land Entities and the broader domestic and global economies.

We rely, in part, on publicly available information in relation to the effect COVID-19.

Accordingly, it is not possible for our Work to identify and quantify the impact of all COVID-19 related uncertainties and implications. Changes to market conditions could substantially affect the Maori Land Entities and our Work. Unless requested, we will not update our Work for any subsequent information or events.

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