

The Treasury

Advice on COVID-19 Response Information Release

December 2021

This document has been proactively released by the Treasury on the Treasury website at:

<https://www.treasury.govt.nz/publications/information-release/advice-on-covid-19-response-information-release>

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [25] 9(2)(b)(ii) - to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [33] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Treasury Report: Strategy for COVID economic response over the next three months

Date:	27 August 2021	Report No:	T2021/2190
		File Number:	SH-1-6-1-3

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Discuss with the Treasury at the next Weekly Agency Meeting Provide feedback on any other advice you would like	Monday 30 August 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Ken Tsang	Analyst, Economic Policy [39]	[35]	✓
Alastair Cameron	Manager, Economic Policy		

Minister's Office actions (if required)

<p>Return the signed report to Treasury.</p> <p>Discuss at the next Weekly Agency Meeting (Monday 30 August).</p>

Note any feedback on the quality of the report

Enclosure: Yes (Annex)

Treasury Report: Strategy for COVID economic response over the next three months

Executive Summary

1. COVID economic support will continue to play a critical role in supporting the public health response to a COVID outbreak until vaccine rates are high enough to reduce the need for lockdowns. It does so by reducing the economic and social burden associated with complying with public health restrictions. Supporting a swift suppression of the virus should allow for a quicker de-escalation from economically costly lockdowns.
2. The current mix of economic support is broadly appropriate if lockdown settings are maintained for another two weeks. If Alert Level 3 or 4 settings are extended for longer, there will be a growing need to provide additional support to help individuals (eg educational and residential tenancy support) and businesses (eg. non-wage costs) with the burden of compliance.
3. If the Wage Subsidy Scheme (WSS) is needed for longer, there may be a case to change settings (e.g. reducing the generosity of subsequent payments or considering whether to make payments after any reduction in revenue occurs, rather than before). However, any changes must consider a range of factors, including the critical role the WSS has in supporting the public health response.
4. The macroeconomic context has changed relative to the last national Alert Level 4 lockdown in March 2020. The underlying strength of the economy should support another rapid economic recovery, so long as the outbreak is managed swiftly. We do not consider a stronger, discretionary fiscal response beyond existing measures is needed at this stage to secure the economic recovery. We will revisit that assessment as the outbreak develops and we have a clearer sense of how economic activity has been disrupted, particularly as a result of emerging concerns around internal and external supply chains.
5. On top of supporting individuals and businesses with the burden of complying with public health measures, fiscal support has macroeconomic implications. Ideally support at higher Alert Levels will offset lost economic activity. However, if supports overcompensate for lost activity (e.g. from activity being deferred rather than lost) then this may exacerbate existing capacity constraints as we emerge from lockdown, presenting trade-offs between your objectives during and after lockdown.
6. [33]

7. We recommend further reviewing the mix of economic support measures once vaccination rates become sufficiently high, and there are more public health options to control outbreaks without costly lockdowns.
8. We are seeking your comments on the direction forward at the next Weekly Agency Meeting on Monday 30 August, including:
 - a which issues you would like further immediate advice on
 - b what further advice you would like on the ongoing role of the WSS, and
 - c our proposal to have regular check-ins to ensure that support remains appropriate over the next three months.

Recommended Action

We recommend that you:

- a **Agree** that the primary objective of COVID economic support over the next three months should be supporting the public health response and reducing the social and economic disruption associated with outbreaks.
Agree/disagree.
- b **Note** that (a) may present trade-offs with macroeconomic objectives, given inflation risks, and the need to transition to a more COVID-resilient economy.
- c **Note** the Treasury will provide further advice on the ongoing role of the Wage Subsidy Scheme.
- d **Indicate** any particular points or areas you would like advice on for (c).
- e **Agree** to ask the Minister of Justice to set commercial leases as a work priority for his officials, specifying that this work explore both short and long-term options.
Agree/disagree.
- f **Note** that the Treasury will provide further advice on non-wage business costs by 9 September.
- g **Note** that as vaccination rates increase, and the landscape of public health restrictions changes, COVID economic support settings should be reviewed again.
- h **Indicate** any other measures that you would like further advice on.
- i **Agree** to further, regular discussions on the strategic mix of COVID economic support during the current outbreak (eg. at each Weekly Agency Meeting).
Agree/disagree.

Alastair Cameron
Manager, Economic Policy
PP Kerry Fowlie
Director, Economic Strategy

Hon Grant Robertson
Minister of Finance

Treasury Report: Strategy for COVID economic response over the next three months

Purpose of Report

9. This Report:
 - a Proposes objectives for COVID economic support measures ('support measures') over the next three months, and notes the potential trade-offs
 - b Sets out the macroeconomic and fiscal context, and associated trade-offs with support measures
 - c Covers how support measures could evolve if Alert Level restrictions are maintained
 - d Provides you with a status update for previously implemented supports (Annex 1).
10. We are seeking your comments on the direction forward at the next Weekly Agency Meeting on Monday 30 August.

COVID economic support over the next three months

11. We propose five objectives for the COVID economic response over the near-term:
 - a **Support the public health response by supporting compliance with public health restrictions**
 - b **Reduce the social and economic disruption associated with outbreaks**
 - c Support a transition to a COVID-19 resilient economy
 - d Share the burden in an equitable and fair way
 - e Manage the macroeconomic and fiscal implications associated with providing economic support (as noted later, including via a timely, temporary, targeted focus for spending).
12. There are some tensions within these objectives, but for at least the next three months, we recommend that COVID economic support focus on objectives (a) and (b), with close monitoring of trade-offs with objective (e). The balance of these objectives will shift as vaccination rates become sufficiently high to reduce the need of heightened restrictions, providing the Government with more options on how to manage outbreaks.
13. Supporting a swift suppression of the virus supports a quicker de-escalation in Alert Level restrictions – limiting the direct economic impact of restrictions and improving the likelihood that lost activity is quickly regained. Economic supports also support a swifter rebound in activity by supporting labour attachment and limiting the impact to firms' cashflow. Previous analysis has shown that Māori and Pasifika have been more acutely affected by COVID, as is the case in the current outbreak. This analysis also illustrated that these groups benefitted from the wage subsidy. Distributional impacts would therefore need to be taken into account if changes to these schemes were to be considered.¹

¹ The wellbeing impacts of COVID were assessed against He Ara Waiora and the Living Standards Framework in the He Kāhui Waiora publication.

14. Focusing on these two objectives presents trade-offs. At a macroeconomic level, there may be a risk that support contributes to inflationary pressures once restrictions are removed. This may be the case if excessive support is provided – however, the outlook is highly uncertain, and it is too early to prejudge the macroeconomic impact of the current outbreak.
15. While considerable fiscal headroom remains, there is an opportunity cost associated with spending on COVID support. Therefore, where possible, we should seek to support the public response through measures that are non-fiscal, and if spending is needed, it should be targeted and temporary (objective e).
16. Some forms of economic support may also limit the incentive for firms to further plan for outbreaks and transition towards a COVID-resilient economy (objective c).

The macroeconomic context

Prior to the delta outbreak, capacity pressures and supply constraints had emerged as the biggest challenge to economic growth in the short-term.

17. This reflects the strength of the economy, which has proved more resilient than expected at the Budget Economic and Fiscal Update (BEFU) 2021.² The Reserve Bank of New Zealand recently assessed employment to be at or above its maximum sustainable level, and forward looking indicators had also been pointing towards continued momentum in the domestic economy.
18. Strength in the domestic economy has also been supported by improved conditions internationally. Commodity prices are currently very high, and we are expecting relatively robust global economic growth, especially with lockdown restrictions becoming less common for many of our trading partners.
19. The Monetary Policy Committee (MPC) was expected to increase the Official Cash Rate in August 2021, to mitigate the risk of inflation arising from the economy operating above its short-term capacity. That decision was deferred given the delta outbreak and lockdown, but the MPC continues to signal that they intend to start withdrawing monetary stimulus.

We do not consider that a stronger, discretionary, fiscal response beyond existing measures is needed at this stage to secure the economic recovery

20. Provided economic restrictions are relatively short-lived (that is, not extending to months as has been seen in other countries), existing support mechanisms and the underlying strength of the economy should result in a fast recovery. As we saw last year, increased savings and deferred consumption from during the lockdown will boost post-lockdown consumption, while low interest rates keep the cost of borrowing low.
21. Further, rising inflation remains a concern once economic restrictions are lifted, given that the supply side constraints seen in the economy prior to the outbreak are unlikely to dissipate (and could be exacerbated by the lockdown). Consequently, any significant increases in spending during the lockdown may present trade-offs with your macroeconomic objectives once we emerge from lockdown.
22. Even so, the overall impact on the macroeconomy will depend critically on the duration of economic restrictions and their overall impact. For example, businesses, particularly exporters, are reporting that supply chain issues are currently mounting. This creates risks to the supply side of the economy. There are concerns that international buyers have low tolerance for supply delays arising from lockdowns, a risk that is exacerbated by many other international competitors being largely free of restrictions.

² Real Gross Domestic Product (GDP) grew 1.6% in the March 2021 quarter, compared to a forecast 0.2% decline at BEFU. This saw real GDP sitting 0.8% above pre-COVID levels, and the Treasury's interim forecast update in early August (T2021/1869 refers) estimated the output gap to be slightly positive.

23. The longer the lockdown persists, the greater the lost output and income, and the greater the risks that firms and individuals run down any buffers they have. This would likely result in a weaker or more transitory demand-side recovery once lockdown restrictions are eased and would reduce the risk that additional fiscal support during the lockdown leads to inflationary pressure in the economy post-lockdown.

We recommend a ‘wait and see’ approach with close monitoring, given the inherent uncertainty of the broader economic impacts of a prolonged lockdown.

24. During the lockdown, the purpose of economic support is to encourage compliance with public health measures and help individuals and businesses cope, rather than providing broad economic stimulus – although measures like the WSS do nonetheless provide considerable support to demand. In addition, stimulus from programmes established during last year’s pandemic response will be flowing through to the economy now, given that much COVID Response and Recovery Fund (CRRF)-funded spending was not immediate. Budget 2022 also gives an opportunity to provide fiscal support for any medium-term recovery.
25. Therefore, we currently anticipate that additional fiscal stimulus would only be needed to support the economic recovery after the lockdown ends in the event of a prolonged period at Alert Levels 3 and 4 (i.e. the lockdown would need to extend at least another two to three weeks, potentially much longer), or a higher frequency of lockdowns over the coming months.
26. This assessment may change given the high level of uncertainty. The Treasury will continue to monitor the economic outlook closely and provide ongoing advice on the approach to your macroeconomic strategy.

For now, we recommend decisions on further support to businesses and individuals during the lockdown should be considered alongside the potential macroeconomic trade-offs.

27. At a general level, there are three ways you could manage these trade-offs:
- a where possible consider non-fiscal (regulatory) measures that further mitigate hardship during lockdown (e.g. reinstating rent/eviction freezes, and encouraging households to talk with their banks about their mortgage options),
 - b ensure that any further supports are targeted to those in need and are time-limited, and
 - c [33]

Should a greater response become necessary, there is considerable fiscal headroom

28. We do not consider that fiscal headroom should be a primary concern limiting the economic response to this outbreak. The current level of debt is prudent, and we remain of the view that fast elimination of the virus will be the most effective measure to support the economy.

29. [33]

[33]

30. Nevertheless, medium-term challenges remain with several known and significant funding pressures. The trade-offs between spending more on the response to this outbreak and the opportunity cost of addressing these challenges should be considered.

Economic support should evolve depending on the length of restrictions

31. As noted above, the primary objective of economic support should be to support the public health response. How economic support does so will however need to adapt, primarily depending on the duration of current public health restrictions.

Current economic support measures are appropriate for a short lockdown (for the next two weeks), but targeted in-kind support for vulnerable communities is vital

32. Overall, we consider current support settings appropriate in achieving the objectives set out above in response to a shorter lockdown. The Wage Subsidy Scheme (WSS) and the Resurgence Support Payment (RSP) are currently active. The Short-term Absence Payment, Leave Support Scheme, and Small Business Cashflow Scheme also remain available at all Alert Levels.
33. Initial uptake of the WSS and RSP is in-line with expectations. Bank chief economists have noted that businesses are more prepared for this lockdown and were confident in a strong rebound in activity. Household and business balance sheets have also strengthened. The Treasury is also working with the Reserve Bank of New Zealand (RBNZ) to monitor business requests for greater flexibility (such as through overdraft extensions), as well as banks' responses.
34. [33]

If heightened Alert Level restrictions are maintained for longer, further economic support measures may be needed

35. If Alert Level 3 or 4 restrictions are maintained for longer, we consider current settings broadly appropriate. However, as the time spent under heightened Alert Levels increases, the importance of further supporting some groups with the economic burden of complying with public health restrictions will grow.
36. Beyond exacerbating the need for sufficient in-kind support for vulnerable communities, a longer lockdown could increase the need for other **non-business support**, such as:
- a **Education support:**
 - i Demand may increase for the recently reintroduced Childcare for Workers of Alert Level 4 Businesses and Services Scheme, Emergency payments for casual staff in in State and State-Integrated Schools, and Distance learning support.

⁴ Using He Ara Waiora, the partnership approach should aim towards: **Mana Āheinga** (enable iwi and communities to design and implement their own solutions), **Mana Tuku Iho** (enabling actions for them to protect their culture, including their elders and kaumatua), **Mana Tautuutu** (support social cohesion through equitable resourcing and combatting of misinformation), **Mana Whanake** (drive towards sustainable prosperity beyond the pandemic).

b Income support:

- i A prolonged lockdown may place greater financial pressure on low-income families, including casual workers (including through additional lockdown costs such as heating). In addition, job losses may increase the number of people supported by main benefits.
- ii Any options to increase income support payments requires a relatively long implementation period. Given the recent benefit increase in July 2021 (and upcoming increase in April 2022), we do not, at this stage, see a case emerging for additional broad-based income support.
- iii We do not yet see a need to reintroduce the COVID-19 Income Relief Payment, especially while the WSS continues to support widespread labour attachment. This may need to be revisited if substantial changes are made to the ongoing role of the WSS (see paragraphs 41 to 46).

c Residential tenancy support:

- i Critically, support should ensure that residential tenancies are maintained during lockdown, with moves only when necessary (eg. in situations where the safety of household members is at risk).
- ii The Ministry of Housing and Urban Development (HUD) has advised that current settings are sufficient for a shorter lockdown (less than three weeks). However, in a prolonged lockdown, HUD has advised that Ministers may wish to consider reinstating the temporary measures introduced previously.
- iii This included temporary legislative changes restricting tenancy terminations, imposing a freeze on rent increases, and empowering the Tenancy Tribunal to operate flexibly.⁵

d Mortgage relief:

- i We do not see a need to reintroduce a mortgage deferral scheme, unless there is a prolonged lockdown that causes a drop in incomes and job losses. We expect banks have the capacity to deal with a modest volume of deferrals without a regulatory concession from the RBNZ.

A longer lockdown could also increase non-wage costs for firms

37. The Treasury is currently analysing cost pressures firms may face. Our provisional view is that existing support is enough if the total time spent in lockdown is four to six weeks. Beyond this, further and/or different forms of support for **viable** firms with **non-wage business costs** could be warranted if cashflow becomes a concern, particularly for small business.

38. [33]

a [33]

b

⁵ Homelessness accommodation could also be expanded. At this stage, HUD has not advised that additional motel capacity is required, but will continue to monitor the situation.

c [33]

d

39. **The Treasury will provide advice by 9 September on support for non-wage business costs** following discussions with the business community, RBNZ and delivery agencies, further analysis of the cost pressures on businesses, and legal advice. Given the relatively stronger economic context, there may be options in how the mix of such support is balanced (eg. between grant and credit-based schemes).

40. [34]

There could be ways to reduce the cost of further Wage Subsidy payments – but this must be considered with the public health objective in mind

41. The WSS remains a core tool in the COVID response. The WSS supports the public health response by reducing the economic burden individuals and businesses face in complying with public health restrictions. We consider this to remain a critical objective of the WSS in this current outbreak.

42. With an expectation of a deep and prolonged economic contraction in March 2020, the WSS was also designed with another key objective of supporting labour attachment. This remains important in supporting a robust rebound after the current outbreak, particularly as there is considerable uncertainty ahead. However, the better-than-expected rebound in the labour market since 2020 may have reduced the criticality of the labour attachment objective. In addition, household and business balance sheets have strengthened over the last year.

43. While considerable fiscal headroom remains, the WSS has substantial fiscal implications if used for extended period, and there is an opportunity cost.⁶ There may be a risk that the WSS contributes to inflationary pressures once Alert Level restrictions are removed (if unnecessary payments are made). [34]

44. [34]

45. Treasury has not yet assessed such options, and any substantial changes to generosity would need to be made with several factors in mind.⁷ This includes the potential impact on the public health response (impact on social licence and compliance with public health rules), the overall mix of economic support in place, particularly for more vulnerable communities (this may create a greater need for other income/ community measures), and macroeconomic considerations (including to business confidence and certainty). Operational feasibility under the high trust model is also a key constraint on possible changes.

⁶ We currently estimate the fiscal cost of the WSS to be \$1,800 to \$2,100 million per fortnight under nationwide Alert Level 4 restrictions.

⁷ Analysis of uptake data for the current scheme will help inform the assessment of options.

- 46. The Treasury will provide you with initial advice on the ongoing role of the WSS.** This will be provided ahead of advice on the availability and settings of the WSS for the report back which is required by Cabinet should you wish to extend the scheme beyond the initial six-week period that Ministers with Power to Act have approved [CVD-21-MIN-0004 refers]. This would be separate to more immediate advice on options to improve current settings for the Wage Subsidy August 2021 Scheme (i.e. moving to one-week payments, due by 3 September).

Over the longer-term, the risk of reescalation in Alert Levels means a flexible approach is needed

47. Beyond a longer lockdown, there is also a risk that a reescalation in Alert Levels is needed to control a subsequent outbreak over the next three months. Outside of the longer-lockdown issues noted above, we consider current settings broadly appropriate for such a scenario. Precedent effects of any decisions to increase supports in the present scenario should however be considered. Continued monitoring and flexibility will be important to ensure the response remains appropriate at the time.

COVID economic support once vaccine rates are higher

48. As vaccination rates increase, this will provide more options in how to control community transmission. While some level of public health restrictions will likely still be needed, high and broad vaccine coverage should reduce the need for higher Alert Level restrictions.
49. The mix of economic support will therefore need to be reviewed to ensure they are appropriate for a high vaccine rate landscape. While existing economics measures have been effective in supporting the public health response and reducing the economic disruption caused by outbreaks, they can limit transition and adaptation to a COVID-resilient economy and there is a material fiscal cost.
50. While any changes made in response to current Alert Level settings should bear in mind the longer-term trajectory, the immediate priority should be in responding to the current outbreak. This will also provide time to develop a better understanding of the potential long-term public health settings.
51. This also highlights the importance of vaccinating quickly and ensuring that the roll-out is equitable amongst potentially vulnerable groups. The faster we reach high levels of vaccination, the sooner we can control outbreaks without using economically (and fiscally) costly public health restrictions.

Annex 1 – Further detail on COVID economic support measures

Measure	Summary	Status
Housing		
Residential tenancies	During last year's Alert Level 4 lockdown, temporary legislative changes were made restricting tenancy terminations, imposing a freeze on rent increases, and empowering the Tenancy Tribunal to operate flexibly. These changes were made on the understanding that New Zealand could be in an Alert Level 4 lockdown for some time, and that the economic impact of COVID-19 on individual households could be considerable. These changes have now expired.	'Watch and wait' . The Ministry of Housing and Urban Development (HUD) has advised the Associate Minister of Housing (Public Housing) that current settings and guidance to landlords and tenants are sufficient for a shorter lockdown (defined as less than three weeks). However, should there be a prolonged Alert Level 4 lockdown (longer than three weeks), HUD has advised that Ministers may wish to consider reinstating the temporary measures introduced previously. While it is unlikely that new funding would be required to implement these changes, they would require reinstating previous legislation. [34]
Homelessness	As part of last year's Alert Level 4 response, HUD received \$107 million to secure approximately 1,200 new motel places to house individuals and households experiencing homelessness. HUD received funding at Budget 2021 to extend a significant portion of these places.	Active . At this stage, HUD has not advised that additional motel capacity is required, but HUD is continuing to monitor the situation with providers. We understand that a small number of households have been placed into motels through the Ministry of Social Development's (MSD) Emergency Housing Special Needs Grant system.
Business and household finance		
Mortgage relief	Over 2020, deposit takers offered customers temporary mortgage deferrals. The Reserve Bank issued guidance that those deferred loans would not be treated as 'being in default', allowing the offering to continue without impacting capital requirements.	'Watch and wait' . We do not foresee a need to reintroduce a mortgage deferral scheme at this stage unless there is a prolonged lockdown that causes a drop in incomes and job losses. Banks have the capacity to deal with a modest volume of loans being deferred without a regulatory concession from the RBNZ. Should the situation change, the RBNZ would seek to be supportive of banks and their customers, consistent with its financial stability objective.
Financial regulatory relief		'Watch and wait' . The Council of Financial Regulators regularly meet with the financial sector in order to understand current and upcoming pressures and any regulatory relief that might be required to help financial institutions support their customers. The Treasury is also working closely with the Reserve Bank who is increasing their monitoring and talking to banks regularly.

Commercial property		
Commercial leases	Measures in this area could aim to make it easier to retain lease arrangements and get back to business as usual after lockdowns by giving parties more time to fulfil their payment obligations before the other side can take enforcement action.	[34] The Treasury has business consultation scheduled in the next ten days, where we can test if commercial lease disputes are still a concern. The Treasury will provide updated advice on the outcome of these consultations by 9 September.
Education		
Funded childcare for essential workers	Essential workers who have children aged up to 13-years-old can access free childcare, so they are able to continue to provide the essential services we need during the current lockdown.	Active. The scheme is likely to continue to see demand while the country (or parts of it) is at Alert Level 4. In previous Alert Level 3 settings, children of essential workers have been able to attend educational settings in-person.
Emergency payments providing wage support for casual staff in State and State-Integrated schools	This scheme is available to day relievers, kairāhi and non-teaching staff or kaimahi who are paid by timesheet, and who will not receive any payment due to school and kura closures at Alert Level 4.	Active.
Measures to support distance learning		Active. Funding agreed by Cabinet to support a range of distance learning measures is likely to be sufficient for a period of approximately one month for hard packs to support distance learning (and a similar time for television content, though this content will take longer to produce and distribute), and for a longer period for internet connections and device provision.
In-kind and income support		
In-kind benefits for vulnerable communities	MSD has restarted a package of community support measures similar to those implemented previously. This includes funding for food banks, grants to community service providers, and support for Women's Refugees for additional accommodation. These measures address food security and provide support to vulnerable populations impacted by the shift to Alert Level 4. Funding for these measures under the current AL4, and an extended AL3 or above for an additional two weeks, is to be considered in a Joint MSD/TPK	'Watch and wait'. At this stage we do not think MSD needs to consider expanding its in-kind support measures, but this will continue to be monitored.

	Cabinet paper to be considered Friday 27 August.	
Income Support	<p>In response to last year's Alert Level 4 lockdown, main benefits were increased permanently, and the Winter Energy Payment was temporarily doubled to support low income families.</p> <p>Budget 2021 agreed further increases to main benefits, with the first increase coming into effect from 1 July 2021.</p> <p>We also introduced the COVID-19 Income Relief payment. Due to the Wage Subsidy extension, the need for this payment was reduced.</p>	<p>'Watch and wait'. At this stage, we do not see a strong case to introduce additional income support directly to families via the welfare system, as was done in 2020.</p> <p>We are seeing an early increase in demand for Special Needs Grants (as with previous lockdowns) and will continue to monitor the situation, and changes in benefit numbers.</p>