The Treasury

Advice on COVID-19 Response - Tranche Three Information Release

September 2022

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: COVID Economic Support in an Omicron Outbreak

Date:	21 January 2022	**Report No:**	T2022/36
		File Number:	SH-1-6-1-3-3

Action sought

	Action sought	Deadline
Hon Grant Robertson **Minister of Finance**	Discuss with officials in the week commencing Tuesday 25 January Provide comments on the report and draft Cabinet paper material	25 January 2022

Contact for telephone discussion

Name	Position	Telephone		1st Contact
Amy Spittal	Graduate Analyst, Economic Policy	[39]	[35]	
Ken Tsang	Senior Analyst, Economic Policy			✓
John Beaglehole	Manager, COVID Economic Supports			

Minister's Office actions

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (annex)

Treasury Report: COVID Economic Support in an Omicron Outbreak

Executive Summary

On 1 February 2022, Cabinet is due to consider a paper on responding to Omicron, which will also include the approach to economic supports. This report seeks your feedback on the Treasury's initial view on economic supports in an Omicron outbreak.

Given elimination is unlikely to be an option once Omicron has spread in the community, the Treasury considers that the public health response should weight economic considerations more heavily than previously. Managing an Omicron outbreak through Red or 'Red Plus' settings is likely to have less of a disruptive economic impact than more frequent use of localised lockdowns.

Based on experience overseas, we expect the main economic impacts of an Omicron outbreak to be on the supply side, resulting from significant pressure on supply chains and workforce disruption due to absenteeism. It will be important to manage public health settings (e.g. isolation periods) to minimise workforce disruption to essential services.

Demand impacts are likely to be concentrated in firms reliant on face-to-face interaction, either as COVID-19 Protection Framework (CPF) settings are tightened, or as consumers adjust their behaviour based on perceived risk.

We recommend that support in an Omicron outbreak primarily focusses on the financial needs of individuals required to self-isolate. Omicron will have a significant impact on some individuals and communities, and it is important to ensure that households be able to meet their needs if required to isolate. Demand for the COVID-19 Leave Schemes is likely to increase considerably in an Omicron outbreak. The Care in the Community model will also experience significant strain. Officials will provide advice on ways to ensure these schemes remain appropriate for Omicron.

We recommend that no additional business support is provided. Significant fiscal stimulus has been provided through the August Delta outbreak, and Budget 2022 investments may have further stimulatory effects. Further support could exacerbate inflationary pressures, create precedents that are unsustainable in the long-term, and impede the transition to a more COVID-resilient economy.

If Ministers wish to provide business support, we recommend the following options are considered (in order of preference):

1. Providing flexibility on tax payment and debt. Inland Revenue is able to offer this to firms experiencing financial difficulty, and this is a common method of crisis support.
2. Loan-based measures that help see firms through short dips in cashflow. The Small Business Cashflow Scheme (SBCS) has already been extended to 31 December 2023. Officials are considering what changes to the SBCS are possible for an Omicron outbreak.
3. Heavily targeted grants to businesses that are most affected. This option should only be considered if the economic impact is much worse than expected.

We expect that upcoming funding requests for the public health response will exceed the remaining COVID-19 Response and Recovery Fund (CRRF) balance, and an Omicron outbreak would put even more pressure on the CRRF. We are therefore interested in your preferences for topping up the CRRF in the coming months.

Recommended Action

We recommend that you:

a **note** that given the shift away from an elimination strategy, The Treasury considers it prudent to place greater weighting on economic factors when considering the public health response to Omicron.

b **note** that if an Omicron outbreak is managed using the COVID-19 Protection Framework, the Treasury considers it appropriate to focus on supporting individuals with the burden of public health restrictions.

c **note** that the Treasury does not see a need for further business support in response to Omicron, especially in the context of labour market tightness and inflationary pressure.

d **note** that officials will provide advice in early February on ways to ensure the Short-Term Absence Payment (STAP) and COVID Leave Support Scheme (LSS) are fit for purpose in an Omicron environment.

e **note** that the Minister for Social Development is updating Cabinet next week on Care in the Community.

f **note** that if further business support is desired, liquidity measures such as tax deferrals could be implemented quickly.

g **note** that loan-based support could also be used and that officials will provide more advice on loan-based support options in February.

h **note** that a heavily targeted COVID-19 Support Payment could also be introduced, but is only recommended if the economic impact of Omicron is worse than expected.

i **note** that upcoming funding requests for the COVID-19 public health response are expected to exhaust the remaining balance of the COVID-19 Response and Recovery Fund (CRRF).

j **indicate** your preferences for the Ministry of Health's funding request for the Public Health response to COVID-19 before April 2022 and replenishing the CRRF, including any areas where you like further advice.

k **discuss** this report with officials and **provide feedback** on the attached draft content for the DPMC-led Omicron strategy Cabinet paper in the week beginning 25 January 2022.

John Beaglehole
Manager, COVID Economic Supports

Hon Grant Robertson
Minister of Finance

Treasury Report: COVID Economic Support in an Omicron Outbreak

Purpose of Report

1. Cabinet is due to consider a paper on the approach to managing Omicron in the community on 1 February 2022. DPMC has requested material on the potential approach to economic support in response to an Omicron outbreak.
2. To inform the drafting of this Cabinet material, this report seeks your feedback on the proposed approach to economic supports under Omicron. As context, this paper also provides updated information on the expected economic and fiscal impacts of an Omicron outbreak. Draft Cabinet paper material is attached in Annex 1. Annex 2 provides additional economic and business insights as well as uptake of economic support measures.
3. We also seek direction on your preferences for replenishing the COVID-19 Response and Recovery Fund.

The public health and economic context remain fluid

Omicron has changed the public health context

4. The dominance of the Omicron variant overseas has significantly changed the public health context. Omicron is much more transmissible than Delta and evidence suggests it causes less severe illness for most people. In a highly vaccinated population, there can be a higher rate of asymptomatic illness.
5. Without public health interventions, case numbers are likely to follow a steep and narrow infection curve. We understand that the Ministry of Health's strategy for responding to Omicron includes the following steps:
   a. Initially seeking to keep Omicron out of the community while we prepare our community protections (e.g. boosters) and the Testing, Tracing, Isolation and Quarantine (TTIQ) system;
   b. Stamping out any small-scale incursions that may occur, to avoid a widespread outbreak if at all possible. We understand this may include localised lockdowns if appropriate;
   c. Swiftly moving to either a 'Red' or a bespoke 'Red Plus' (e.g., tighter gathering limits and more masking) setting nationwide under the COVID-19 Protection Framework (CPF) to flatten the curve of any Omicron outbreak;
   d. Rapidly shifting our resources to manage the impact of an Omicron outbreak while protecting those most at risk of severe illness; and
   e. Moving back into 'pandemic as usual' management approach once we are past the peak of the outbreak, including ongoing regular CCPF assessments and changes to settings across the country as required.
6. The cost/benefit calculation of public health measures has changed because:
   a. Evidence suggests Omicron causes less severe illness for most people;
   b. New Zealand now has a highly vaccinated population, although we are in the early stages of the booster and paediatric rollout, and Māori booster rates are much lower than the general population. Evidence suggests that three doses of Pfizer provide substantial protection against hospitalisation;

c The shift to a ‘minimisation and protection’ strategy, rather than elimination, means that outbreaks are inevitable; and

d There are significant economic and social costs to continuing to delay border reopening.

7. Given elimination is unlikely to be an option once Omicron is spreading in the community, Treasury considers that the public health response should weight economic considerations more heavily than before. From an economic perspective, managing an Omicron outbreak through Red or ‘Red Plus’ (such as stricter gathering limits and mandatory mask wearing) settings is likely to have less of a disruptive economic impact than more frequent use of lockdown measures.

8. Detailed modelling on the effectiveness of localised lockdowns modelling is forthcoming from Te Pūnaha Matatini. Given the current lack of evidence about the effectiveness of lockdowns overseas, this modelling will be heavily assumptions based.

We expect the main economic impact to be on the supply side

9. Based on international experience, we expect the economic shock to be short and sharp, so a relatively swift bounce back can be expected.

a Experience overseas shows that the main economic impacts of Omicron are significant pressure on supply chains and workforce disruption due to staff needing, or choosing, to isolate.

b Demand impacts are likely to be concentrated on some sectors (e.g. hospitality, events, tourism, accommodation). Even if lockdown-type restrictions are not imposed, it is likely that consumers will adjust their behaviour based on perceived risk, meaning that businesses reliant on face-to-face interaction will likely experience a drop in revenue. ‘Red Plus’ settings, such as reducing gathering limits, are also likely to disproportionately impact these sectors.

10. It will be important to manage public health settings to enable business continuity in essential services, in the face of widespread absenteeism (there is work underway on this point). Officials are working on regulatory flexibility for critical services, including altering the definitions of close contacts, required isolation periods, and testing regimes to minimise workforce disruption to essential services (e.g., transport, healthcare, essential retail, and distribution). Easing these requirements would also reduce pressure on current supports measures such as the Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP), if these were to continue. Work is also underway on how Rapid Antigen Tests can be made available for those services.

11. MBIE is developing guidance to businesses on how to plan for an Omicron outbreak. It will be important to give businesses as much certainty as possible about the public health settings that are likely to be used to manage an Omicron outbreak, to improve business confidence and preparedness.

Our economic position is strong, following a strong holiday season and a period of significant fiscal and monetary stimulus

12. If the overall public health response seeks to minimise, where possible, further economic disruption, there will be less of a need to provide economic supports, thereby reducing the fiscal and macroeconomic impacts of an Omicron outbreak.

13. We are in a position of economic strength, with stronger-than-expected economic activity, record-low unemployment and significant inflationary pressure. The latest high frequency data indicates that economic activity continues to improve since the August Delta outbreak (Annex 2). There is already a lot of stimulus in the economy, and Budget 2022 investments may have further stimulatory effects. The Treasury is therefore cautious about providing additional economic support unless necessary.

Objectives for economic supports in responding to Omicron

14. We have applied the following objectives in advice on COVID-19 economic supports:

    a Support the public health response by supporting compliance and social licence for 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; and

    e Manage the macroeconomic and fiscal implications associated with providing economic support (including via a timely, temporary, targeted focus for spending).

15. Following the shift to the CPF and in a context of higher vaccination rates, we previously advised that greater weighting is placed on objectives (c) and (e). We consider the weighting of focus on objectives (c) and (e) holds in the context of an Omicron outbreak, and with a view to the potential for ongoing COVID outbreaks.

16. The transition objective has become even stronger in the context of outbreaks that are harder to control via public health measures compared to previous variants. Some forms of economic support, particularly grants to businesses, can create disincentives for businesses to transition to an operating environment where COVID-19 is endemic, while stoking inflationary pressure.

17. It is still important to ensure compliance with public health restrictions. However, the implications have changed in the evolving public health response (and in particular the move away from Alert Level lockdowns). Public health restrictions are likely to be more individually targeted (e.g. isolation requirements), meaning that support to worker and household incomes will remain particularly important. Conversely, the case for widespread income support to help most workers stay at home is lower. Reducing social and economic disruption is also still important, alongside equitable burden sharing, but workforce attachment is less relevant given the tight labour market. All of these factors point towards focussing support primarily on the financial needs of individuals who are sick or required to self-isolate.

Support for individuals in an Omicron environment

An Omicron outbreak is likely to have a significant impact on individuals and communities, so support for individuals should be prioritised – but the LSS and STAP may not be fit for purpose

18. Omicron will have a significant impact on individuals and communities, and it is important to ensure that households will be able to meet their needs if required to isolate and their employers are not able to provide support. We consider that the COVID-19 Leave Schemes (the LSS and STAP) are the appropriate mechanisms to provide support to households.

19. Officials from the Treasury, MSD and MBIE are considering what changes are necessary to ensure the COVID-19 Leave Schemes are fit for purpose in an Omicron environment. Officials will be better placed to advise once decisions have been made on the approach to testing and self-isolation requirements in an Omicron outbreak, and will provide this advice in early February. At this stage, officials are exploring options including making the LSS more targeted (by limiting the eligibility criteria), and the ongoing role of the STAP in a medium–to–high case scenario.

20. The existing COVID-19 Leave Schemes were not designed to be 'high use', meaning there are substantial operational and integrity challenges in an Omicron environment.

a *Operational risks:* The anticipated increase in applications for the COVID-19 Leave Schemes (as suggested by recent MoH Omicron case scenarios) will put significant pressure on the Schemes, which to date have experienced a comparatively lower uptake compared to the WSS and CSP. MSD is updating modelling on the Schemes' ability to accommodate increased case numbers, and what changes may be needed to keep the Schemes operational [4]

b *Integrity considerations:* There are important integrity questions to consider with an increased uptake of the COVID-19 Leave Schemes, which are currently based on a 'high trust' approach. [4]

It could also raise equity concerns that disproportionately impacts vulnerable workers, as increasing the compliance burden may deter certain employers from applying.

21. Funding is also an issue. As at 19 January 2022, there is $146.311 million remaining in the Leave Support Scheme appropriation which funds the COVID-19 Leave Schemes. Based on Omicron case scenarios, there is likely to be a significant uptake in the Schemes compared to current levels which will deplete the remaining funding and necessitate a significant top-up.

22. We are working on initial costings based on current Omicron case assumptions but several unknowns (including a confirmed public health response strategy) make it difficult to produce precise costings.

23. Under the high case scenario (5,000 – 50,000 per day) the fiscal cost of the Schemes under current settings would become significant. For example, costs could reach at least $50 million per week just for the LSS with 350,000 people self-isolating (which is feasible with 25,000 COVID-19 cases per day). Demand for STAP is highly uncertain as it will depend on the approach to testing and self-isolation requirements. However, STAP costs are expected to rise substantially, if the STAP is used to respond to an Omicron outbreak.

The Care in the Community scheme faces similar challenges

24. There are similar operational challenges for the Care in the Community (CiC) Scheme in a significant Omicron outbreak. We consider appropriately resourcing and targeting CiC should be a focus, to ensure it targets welfare support to the most vulnerable individuals and households impacted by Omicron.

25. The CiC welfare support will also likely be impacted by essential services supply chain disruption and workforce impacts, although we understand MSD is working with CiC providers to assist with their business continuity plans. MSD has provided content to DPMC to provide information on CiC capacity in an Omicron scenario, and how it might adapt to higher case numbers than assumed when the Scheme was first established. [34]

Any scaling up will likely require additional funding.

26. Unlike the COVID-19 Leave Schemes which are administered via employers, the CiC welfare support is accessible to individuals and households who are not or only casually employed. For those who cannot access CiC because they are not COVID-19 positive but are required to self-isolate, existing MSD support such as hardship grants are available.

27. We understand the Minister for Social Development is providing an update to Cabinet next week on CiC.

The Treasury does not see a case for more business support in response to Omicron

28. If the CPF is used to manage an outbreak, the Treasury sees no need for additional business support. This is especially as the economic impact of restrictions is expected to be limited as businesses should be able to operate (albeit with some relatively minor restrictions) under all levels of the CPF. We expect this to hold even if Red level restrictions are increased through non-lockdown measures (e.g. mask-wearing and gathering limits).

29. Apart from mitigating firms' costs, broad-based support would not alleviate the supply-side and workforce disruption we have seen Omicron cause in other countries. The significant level of recent economic support and the current tightness of the labour market also reduce the immediate need for any additional broad-based support.

If business support is desired, tax-based measures could provide fast liquidity

30. If Ministers wish to provide some form of support, tax-based measures such as tax deferrals could be a way to provide liquidity quickly.

31. Inland Revenue (IR) remains able to offer flexibility on tax payment and debt to firms, including entering into instalment arrangements for firms experiencing financial difficulty and therefore unable to pay their tax when it is due. That provides cashflow support for financially distressed firms. However, the power for IR to remit Use of Money Interest (UOMI) for those firms affected by COVID-19 expires on 25 March 2022. That can be extended by an Order in Council, and IR will report to Ministers shortly.

Loan-based measures could also be used to provide liquidity

32. In a context of a short period of intense disruption, the provision of a loan may also be an appropriate form of support. Loans could provide liquidity to support businesses through a short period before activity recovers through pent up demand. While a loan does create inflationary pressure, repayment means that it would be relatively less than would be caused by grant-based support.

33. The Small Business Cashflow Scheme (SBCS) is currently available for eligible SMEs and has seen $1.9 billion lent out. However, some changes will likely be necessary to ensure the maximum number of SMEs benefit in an Omicron outbreak.

34. We previously advised you [T2021/2884] on the spectrum of options and are working with IR on developed more detailed proposals. We will advise you in early February on changes to the following:

    a. Repayment terms, including ways to account for firms' means and stretched balance sheets;

    b. Relaxing rules to let firms take multiple loans to manage extended or repeated periods of uncertainty; and

    c. Integrity, including attributing liability to owners or directors.

35. In the meantime, we are planning to discuss some of the key design issues with business to understand which changes to the SBCS would have the greatest impact.

36. Unlike the CSP (see below), the SBCS is less flexible and if changes are required, they may take longer to implement (depending on the changes, it could take up to 4-6 weeks or longer to implement).

As a last resort, a heavily targeted COVID-19 Support Payment could be provided

37. If the impacts of an Omicron outbreak are significantly worse than expected, support could be provided through a single round of the COVID-19 Support Payment (CSP) (previously the Resurgence Support Payment).

38. To improve targeting, the revenue drop, base rate, FTE cap and comparator period could be amended to target the payment to those firms (and implicitly sectors) that have experienced the largest actual revenue decline as a result of consumer behaviour and/or staff absences. The CSP is not constrained to covering fixed costs, it can also be used to help cover wage costs; however, IR cannot compel recipients to pass on the amount to employees.

39. At this point, we do not recommend use of the Wage Subsidy Scheme (WSS). The tight labour market means that a key objective of the WSS (supporting labour attachment) is not a current concern. If lockdown restrictions were required for a prolonged period, there could be a case for the WSS in supporting compliance with public health restrictions.

This greater focus on supporting individuals aligns with the approach in other countries that are currently responding to Omicron outbreaks

40. In countries currently facing Omicron outbreaks, there appears to be limited appetite for broad-based business support. For example, Ireland has reintroduced the COVID-19 Pandemic Unemployment Payment for employees and the self-employed who lose their employment as a result of public health restrictions from December 2021.

41. The United Kingdom has not provided any broad-based support in response to Omicron, instead providing targeted one-off grants to the hospitality and leisure sectors as well as statutory sick-pay for SMEs.

42. Despite calls from business and the opposition, the Victorian government has not indicated any appetite for support. We understand New South Wales will announce some support shortly, and will update you when we have any further information.

Managing the fiscal impact

43. As at 20 January 2022, the remaining balance of the COVID-19 Response and Recovery Fund (CRRF) is $2.1 billion.

44. While a significant amount of funding was committed at the end of 2021 to support major COVID-19 response functions, further funding will be required in the next few weeks to support the public health response in 2022/23, including for testing and tracing, Care in the Community, personal protective equipment, and the Ministry of Health's COVID-19 Directorate. Funding for the public health response is scheduled to run out in June 2022, so the funding request will need to be assessed before the Budget moratorium.

45. The Ministry of Health is developing initial cost estimates for the Public Health response in 2022/23 and is planning to prepare a paper for March to seek approval for this funding. We expect the request will significantly exceed the remaining CRRF balance (potentially in the realm of [33] so would like to test your views on the timing and avenue for this request.

46. In the event of an Omicron outbreak, we would expect the CRRF to be exhausted more rapidly. Even if any economic support was highly targeted or limited, further funding would likely be sought to support the scaling up of key functions such as Care in the Community to manage large numbers of cases.

47. Due to these pressures, we consider that a further replenishment of the CRRF will be needed within the next few months. However, decisions on the exact quantum of any increase should ideally be taken once more robust costings are available within the next few weeks.

48. Based on Half Year Economic and Fiscal Update forecasts, a $5 billion increase to the CRRF would increase net debt by 1.1% by the end of the forecast period.

49. You also have the option to manage the impact of new funding requests against Budget allowances. However, we recommend against this given the expected size of the requests, existing pressure on this year’s allowances, and the commitments that the Government has already made around key areas of focus for Budget 2022. The CRRF is also better suited to managing temporary spending compared to allowances which assume permanent baseline increases.

50. At this point, we are interested in your views on a potential replenishment of the CRRF, including your preferences for timing and where you would like further advice.

Next steps

51. We would like to discuss the contents of this report, as well as the draft Cabinet paper material, with you. Following your feedback, we can provide further advice on the economic support response as well as another iteration of the Cabinet paper material.

52. We will also provide further follow-up advice on options for loan-based support and changes to the COVID-19 Leave Schemes in early February.

53. We have begun initial engagement with other agencies (IR, MSD and MBIE), and will engage with business, including Māori and Pacific business groups.

Changes to economic support

1 A benefit of the COVID-19 Protection Framework is that all businesses are able to operate (with some restrictions) at all levels, which helps to reduce the economic disruption of outbreaks. Experience overseas shows that the main economic impacts of Omicron are significant pressure on supply chains and workforce disruption due to staff needing, or choosing, to isolate.

2 Since an Omicron outbreak will have a significant impact on individuals and communities, it is my view that support for individuals to comply with public health restrictions should be provided through the Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP). The policy and operational settings for these schemes are being revisited, as we need to ensure they are appropriate to support the changes to the public health strategy alongside managing the expected very high number of Omicron cases and increase in demand for this support.

3 The Treasury recommends that no additional business support is provided in an Omicron outbreak. We are in a strong economic position, with a tight labour market and significant inflationary pressure, and there is already significant stimulus in the economy. With the move to a minimisation and protection approach, more outbreaks can be expected, so businesses need to be able to transition to a COVID-resilient economy.

4 If Cabinet wishes to provide business support, Treasury recommends that the following options are considered (in order of preference):

4.1 Providing flexibility on tax payment and debt. Inland Revenue is able to offer this to firms experiencing financial difficulty, and this is a common method of crisis support.

4.2 Loan-based measures that help see firms through short dips in cashflow. The Small Business Cashflow Scheme (SBCS) has already been extended to 31 December 2023. Officials are considering what changes to the SBCS are possible for an Omicron outbreak.

4.3 Heavily targeted grants to businesses that are most affected, such as the COVID-19 Support Payment. This option should only be considered if the economic impact is much worse than expected.

Business resilience: high frequency indicator data and firm liquidity information

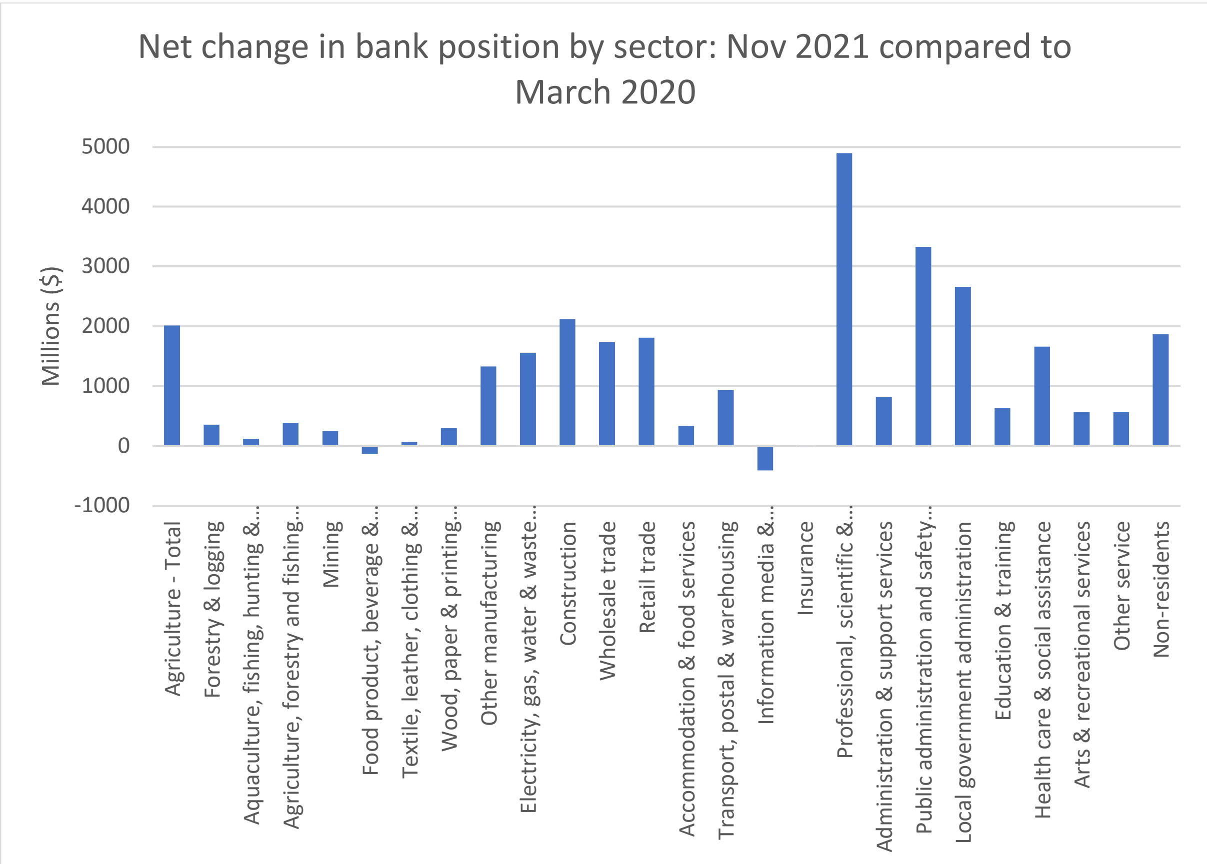
Demand for goods and services has recovered since the August lockdown and will likely hold up under the COVID-19 Protection Framework

The latest high frequency data indicates that economic activity has continued to recover from the disruption of the August Delta outbreak. Marketview card spending data, Google mobility data, and NZTA traffic movement data all show gains since public health restrictions were eased following the adoption of the COVID-19 Protection Framework (CPF) on 2 December 2021. While data collected over the Christmas period is volatile, Statistics NZ's seasonally adjusted electronic card transaction data released on 19 January 2022 suggests that spending is almost at pre-August lockdown levels.

This rebound in economy activity supports the view that most firms can operate relatively normally under the CPF and that aggregate economic impact will be much lower than under Alert Level 3 and 4 restrictions. Food and beverage, and services and accommodation services in particular have increased strongly over the period. While the high frequency data is supportive, the timing of sales peaks and public holidays makes the data volatile. It will take some time to settle down and give a true representation of what economic activity is like under the CPF. It is also unclear how this this trajectory will change under an Omicron outbreak.

Firms are more liquid now than they were before the pandemic

Across almost all every sector, businesses have increased their liquidity (reduced debt/ increased cash holding) over the course of the pandemic.



Lack of data and Omicron uncertainty makes it difficult to determine how this translates into firm resilience

Higher levels of firm liquidity, combined with public health settings that permit most forms of economic activity, suggests that most of the economy is likely able to absorb some level of short-term cashflow disruption.

However, data issues make it difficult to understand how evenly this resilience is distributed across firm size or type. These data issues are significant for Small-Medium Enterprises (SMEs) in particular. Other indicators, like firm fail rate data suggest that SMEs are likely more vulnerable to an Omicron shock. Given that the decline in SME failure rate over the last two years has likely been primarily driven by the significant level of Crown support rather than better firm performance, the number of firms that are functionally insolvent now has likely increased. As the ratio of viable to non-viable firms worsens, net resilience decreases.

Feedback from previous engagements with Māori and Pacific businesses

When you met with Māori and Pacific business leaders in October 2021, a key area of feedback was that businesses are seeking proactive engagement from the Government prior to significant decisions being announced. This remains a live issue in the face of Omicron.

Business leaders noted that supply chain pressures, the cost of overheads, inflation, and the impact this was having on business cashflow were key concerns. Many Māori and Pacific businesses have felt that their relationships with banks have not enabled them to access finance on terms they can be comfortable with in the face of uncertainty regarding COVID-19.

There was concern expressed about the accessibility of COVID-19 supports under new integrity measures, particularly for those who were legally unregistered. The time it took for businesses to register meant that application windows were missed. [27]

Access issues are worsened by low rates of digital literacy. The Pacific Business Trust identified that funds being disseminated primarily through digital forums made it difficult for Pacific businesses to receive support, with business owners often applying for funds on their child's school device.

Significant concerns were also voiced around mental health of Māori and Pacific business owners. This will only be compounded by Omicron, and exacerbated further for those with ties to Tonga in the wake of the Tongan eruption.

Firm and household uptake of economic supports to date

Resurgence Support Payment

RSPAUG payments to date have provided almost $2.7 billion to firms with the total paid out under the RSP scheme being $2.9 billion. A total of $3.15 billion was appropriated to meet the cost of RSP payments and $452 million is remains in the appropriation with applications now closed.

Businesses in Auckland received the most support with approximately a third of payments from AUGRSP2 onwards being directed towards Auckland. Waikato and Northland received 10% of total payments, reflecting the impact of changing Alert Level situation in those regions.

The top four industries receiving RSP payments were Construction, Accommodation and Food Services, Retail Trade and Manufacturing accounting for approximately 50% of total payments. The payments became more targeted towards Accommodation and Food Services from payment 3 onwards.

Top 4 industries under RSPAUG21 ($m)	Payments 1-2	Payments 3-8	All Payments
Accommodation and Food Services	$126	$246	$372
Construction	$196	$175	$371
Retail Trade	$84	$109	$193
Manufacturing	$78	$75	$153
Subtotal (Top 4)	**$484**	**$605**	**$1,089**

The RSPAUG payments were highly targeted towards Micro and Small to Medium Businesses. Across all RSPAUG payments Micro businesses received approximately 50% of all support and Small to Medium businesses received approximately 30%.

Wage Subsidy Scheme

Almost $4.8 billion has been paid out under the WSSAUG21 scheme. This was an average spend of around $300 million per week for the 16 weeks the WSSAUG21 scheme was open. This brings the total paid out through the WSS since 2020 to over $18 billion.

The top four industries accounted for 55% of the payments to employees under the WSSAUG21 scheme (excl. self-employed). These are:

Top 4 industries under WSSAUG21 ($m)	Payments 1-2	Payments 3-8	All Payments
Accommodation and Food Services	$288	$461	$749
Construction	$364	$260	$624
Retail Trade	$218	$166	$384
Manufacturing	$218	$156	$374
Subtotal (Top 4)	**$1,088**	**$1,043**	**$2,131**

Around 20% of the jobs (excluding self-employed) supported by the WSSAUG21 scheme were in Accommodation and Food services. However, this became more targeted with the move down Alert Levels. In Alert Level 4, only around 15% of jobs supported were in hospitality, moving to 22% in Alert Level 3 and 33% in Alert Level 2.

Just under two-thirds of the total paid out under the WSSAUG21 scheme went to small firms with 1-50 employees. Only 5% of spend went to large firms with over 500 employees. This differed from the original March 2020 scheme where 12% of the spend went to large firms.

COVID Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP)

In total the LSS has paid out $151.7 million and the STAP have paid out $19.3 million, noting the STAP was only introduced in February 2021 while the LSS has existed (in some form) since March 2020.

Since 10 December 2021 (which is when the Wage Subsidy Scheme ended), the LSS has paid out $2.36 million and the STAP has paid out $2.4 million. Applications since 10 December for the LSS and STAP have totalled 4,888 and 4,841 respectively (which includes approved, closed, declined and pending applications).

Targeted funding for Māori and Pacific

Throughout the COVID-19 response there have been specific funds targeted towards Māori and Pacific Peoples. In total this represents around $300m of funding targeted at Māori and Pacific response and recovery of COVID-19. Of this $46.4m in the Māori Community COVID-19 Fund (MCCF) remains in contingency, with $73.5m in contracts still being finalised from MCCF phase 1, with the majority of other funds having been allocated.

Through Budget rounds this has included:

- $23m in funding to Whanau Ora commissioning agencies, with $17.6m for food, power, mobile data, hygiene packs, mental health support, wraparound support to access multiple services including for testing and vaccination, and $5.4m for Exceptional support requirements, such as self-isolation accommodation.
- $1m for Iwi-led response planning, communications outreach, support for vaccine uptake
- $26m of funding reprioritised in 2021/22 only to support the Pacific health and disability sector to lead the response to the outbreak of the Delta variant including; $18m to sustain service capacity of priority Pacific health and disability providers, $5m for DHBs to rapidly scale up mobile outreach and community vaccination services for Pacific families, and $3m to undertake Pacific ethnic-specific engagement and communication across specific Pacific communities to maintain an elevated level of compliance with public health guidance
- $36m to respond to the urgent pressures of the current COVID-19 response and contribute to achieving equity for Māori, including in the COVID-19 Vaccine and Immunisation Programme. It also intends to leave a legacy to support providers to prepare for and respond to the ongoing threat of COVID-19 outbreaks with four priority initiatives; $17m to support Māori providers to adapt their services, as part of their role in the COVID-19 response, $14m to support whānau to access essential health services where they have been impacted by the COVID-19 outbreak, $3m to strengthen the Māori psychosocial response, and $2m to ensure providers are prepared to support the long tail in the recovery from this outbreak.