

# Impacts from the North Island weather events

The impact on communities and damage from the North Island weather events (NIWE) earlier this year are both large and widespread. The impacts will continue to be felt for some time. This note provides preliminary estimates of the economic impacts and a brief overview of the Government's response to these events to date.

Sharing the Treasury's current understanding of the NIWE impacts helps provide a sense of the likely scale and resource implications from what will be a significant rebuild. It therefore helps analyst assessments of the New Zealand economy by providing important contextual information.

## **Severe weather in January and February caused significant damage and disruption**

The NIWE comprise of the severe weather that hit Auckland in late January, followed by Cyclone Gabrielle in February, both of which involved large-scale flooding. The NIWE caused widespread damage to buildings, businesses (including horticulture, agriculture and forestry) and infrastructure across multiple regions.

## **Initially the government's focus has been supporting people in the immediate aftermath**

The government's response to date has included:

- Helping businesses clean-up and getting back up-and-running. The government has announced \$149 million of support for primary sector and non-primary sector businesses to date.
- Making immediate repairs to state highways, bridges and local roads, with a \$250 million top up of the National Land Transport Fund announced in late February.
- Providing temporary accommodation assistance to people who cannot return to their homes.
- Supporting affected families and communities, including via its \$11.5 million package for NGOs and community groups, and the provision of Civil Defence Emergency Management payments to help cover weather-related costs (food, clothing, etc).

## **The impact of the NIWE is assessed across three economic dimensions**

In considering the economic impacts of the NIWE the Treasury has assessed:

- output losses
- short-term price implications
- the extent of damage/destruction to physical assets

We have used information from multiple government departments and agencies as well as private sector organisations. In particular, considerable use has been made of information from the Ministry of Primary Industries, Waka Kotahi, the Department of Internal Affairs and the Reserve Bank. In many instances material provided to us has been informed by information from the private and local government sectors.

## **Primary industries bore the brunt of output losses**

Our estimate of output loss refers to lost or foregone production as a result of the NIWE, i.e. goods or services that would have otherwise been available to be sold domestically or in export markets but were destroyed or could not be produced.

Flooding caused substantial loss of agricultural and horticultural crops. Estimated losses from these industries are the dominant driver of an estimated \$400 million to \$600 million loss of output over the first half of 2023. Persistent losses averaging around \$100 million per annum are also anticipated in coming years reflecting the loss of capital assets such as orchards.

## **Flood-reduced supply adds to near term inflation**

The floods have impacted on the availability of goods and services, particularly fresh produce with temporary price spikes for some goods. We assume that inflation over the March and June quarters is likely to be around 0.4 percentage points higher because of the NIWE.

**Table 1:** Physical asset damage from the NI weather events

<b>Damage incurred</b>	<b>\$ billion</b>
Households	2.0 to 3.5
Businesses	2.0 to 3.0
Infrastructure	5.0 to 7.5
<b>Total</b>	<b>9.0 to 14.5</b>

## **Estimates of total damage range between \$9 billion and \$14.5 billion**

The NIWE caused significant damage and destruction of physical assets. These losses are shown in Table 1 with significant losses experienced across households, businesses and infrastructure.

Household losses predominantly relate to residential buildings and contents. Businesses cover a wide range of private enterprises, with many primary sector entities particularly affected. Infrastructure covers both local and central government assets.

The estimates in Table 1 are estimates of total damage - where total assessed damage will likely end up, rather than representing a running total of assessments to date. The estimates include both insured and uninsured assets.

***More than half of overall damage relates to public infrastructure***

Estimated damage to infrastructure (particularly transport and water infrastructure) makes up a little over half of overall damage. The estimates are necessarily based on high-level assessments which are subject to considerable uncertainty. The estimates could therefore change as more technical assessments of individual assets (e.g. stretches of road or bridge assets) are made.

***Cyclone-rebuild will be an important driver of investment in coming years***

It is important to note that the damage estimates above are not an estimate of the final repair bill faced by the various groups. The actual repair bill will depend on choices as to whether to replace particular assets, or whether to 'build back better'. These decisions will occur over time.

Investment by households, businesses and government (both local and central) as they repair and replace damage will add to future demand and therefore affect the economic outlook over coming years. Our Budget forecasts, that will be released on 18 May, contain a significant amount of cyclone-recovery investment.

***The Government's response will transition towards a recovery and rebuild focus***

We expect further announcements shortly on government support for the affected regions, as they transition from the immediate response to a recovery and rebuild footing.