

Extracts from IMF Concluding Statements from Article IV consultations with New Zealand 2009-2021

Housing

2009

[New Zealand -- 2009 Article IV Consultation, Preliminary Concluding Statement of the IMF Mission](#)

House prices had been falling in the recession. Only obvious commentary/recommendation is

For other business loans and mortgages, banks should be required to conduct extreme stress tests to assess their vulnerability to a sharp jump in unemployment, a large drop in house prices, and a significant increase in funding costs.

2010

[New Zealand - 2010 Article IV Consultation Preliminary Concluding Statement of the IMF Mission](#)

16. A key domestic vulnerability is banks' exposure to household debt of over 150 percent of disposable income. *However, this exposure proved to be relatively low risk in the recent recession. Factors mitigating the mortgage risks include the fall in mortgage rates, the absence of a sharp rise in unemployment, and only a small fall in house prices. Nonetheless, risks remain. House prices are high relative to historical price-to-income ratios and debt-service burdens will rise with a return to neutral policy interest rates.*

17. A conservative approach to bank regulation and supervision helped banks weather the crisis. *As a result, banks had relatively low leverage and high capital adequacy with Tier I ratios of 7-8 percent in 2007. In implementing the Basle II framework, the authorities required the banks to hold higher capital buffers than in other countries. For example, a 20 percent loss given default floor was adopted for residential mortgages, which is higher than the Basel II 10 percent floor. We welcome the Reserve Bank's current review of capital adequacy associated with agricultural loans.*

19. In response to the crisis, discussions are ongoing in international fora to improve regulation and supervision of the financial sector. *We support the Reserve Bank's intention to investigate the costs and benefits of potential macro-prudential policy tools, particularly some of the proposals coming out of the Basel Committee on Banking Supervision. Some of these macro-prudential measures may be useful to manage risks arising from excessive bank credit growth during upswings. However, it is important to keep the lending channel to the private sector open, and balance the benefits of these measures against the risk of encouraging intermediation outside regulated institutions.*

2011

[New Zealand 2011 Article IV Consultation--Preliminary Concluding Statement \(imf.org\)](#)

Couple of references to tax included in the productivity section below

2012

[New Zealand- 2012 Article IV Consultation Preliminary Concluding Statement \(imf.org\)](#)

Housing sector risks. Although affordability ratios and debt servicing ratios have recently improved, house prices still remain elevated. A sudden price correction, possibly triggered by higher borrowing costs or a shock to household incomes, could reduce consumer confidence, worsen banks' balance sheets, and impair the economic recovery. The likelihood of this risk materializing in the near term, however, is low.

Household debt remains high at about 150 percent of disposable income, and a rise in mortgage rates together with an increase in unemployment could lead to an increase in nonperforming loans.

Stress tests. Stress tests of banks in 2009-10 (conducted together with the Australian authorities) show resilience to higher unemployment and a sharp fall in property prices, but did not include funding shocks. Future stress tests could be more stringent and include a disruption to bank funding and a large increase in longer-term interest rates.

2013

[New Zealand: 2013 Article IV Consultation Preliminary Concluding Statement \(imf.org\)](#)

Policies will need to take into account a range of issues including price pressures from an acceleration of earthquake-related reconstruction, **rising house prices**, and the economic fallout from the ongoing drought. (emphasis added)

There are however signs that pressures are beginning to emerge in the housing market, notably in Auckland where supply bottlenecks persist, and in Christchurch where construction cost inflation has accelerated.

Housing market risks. Household credit growth, housing market turnover, and house price inflation have all recently picked up, particularly in Auckland where supply bottlenecks persist, and prices remain elevated by most measures of affordability. Recent developments also suggest some easing of mortgage lending standards. In these circumstances there is an emerging risk that sustained rapid price growth could give rise to expectations-driven, self-reinforcing demand dynamics and price overshooting. A shock to household incomes or to borrowing costs could cause a sudden price correction, reducing consumer confidence, worsening banks' balance sheets, and impacting overall economic activity.

In terms of limiting risks in the housing market, the new macro-prudential tools under consideration could improve the RBNZ's ability to safeguard financial stability, including guarding against a loosening of bank lending standards that would contribute to an unsustainable acceleration in house price inflation. As a longer term measure, policies to address housing supply constraints would play an important role in containing price pressures and increasing affordability.

Residential mortgages and agricultural lending account for a large part of banks' assets, sectors which are vulnerable to price fluctuations and where leverage is still high. These are longstanding structural issues that will remain sources of risk over the medium term. Staff simulations and the authorities' recent stress tests suggest that the major banks could withstand a number of sizable shocks, but would make major inroads into their capital buffers.

Capital requirements. The RBNZ's conservative risk weights, capital eligibility, and deduction rules give New Zealand banks higher quality capital than their advanced country peers. At the same time, banking sector vulnerabilities should be assessed on an ongoing basis to minimize the risk that systemically important banks pose to the economy, taking into account the currently evolving international standards.

Prudential measures. We support the authorities' intention to establish a framework of macro-prudential tools to strengthen the resilience of the financial sector. Such tools include countercyclical capital buffers, core funding ratio, overlays to sectoral capital requirements, and loan-to-value restrictions, which could help dampen credit cycles, strengthen macroeconomic management, and guard against an acceleration in house price inflation. Such measures should be viewed as a complement to macroeconomic and micro-prudential tools. They should be used infrequently and (as experience with such instruments is limited) with caution, with the primary objective of limiting the periodic buildup of system-wide financial risk.

2014

[New Zealand - 2014 Article IV Consultation - Concluding Statement \(imf.org\)](#)

Domestically, rapid house price inflation remains a concern, and the RBNZ's prudential measures to slow high loan-to-value mortgage lending are welcome.

But more pressing are risks related to the housing sector. By historical and international comparisons and most measures of affordability, New Zealand's house prices appear elevated. With house price inflation running high, there remains the risk that expectations-driven, self-reinforcing demand dynamics and price overshooting could take hold. The government's steps to help alleviate supply bottlenecks, measures to tighten standards for mortgage lending, and an increase in mortgage rates should help ease price pressures. But a sudden price correction—possibly triggered by a shock to household incomes or borrowing costs—could reduce consumer confidence, impact overall economic activity, and hurt banks' balance sheets.

The new macro-prudential policy framework improves the RBNZ's ability to safeguard financial stability, allowing it to take additional measures if needed to guard against the risks that would arise from an unsustainable acceleration in house price inflation. As a longer term measure, policies to address housing supply constraints will continue to play an important role in containing price pressures and increasing affordability.

Overview. *New Zealand's financial system remains sound. The banks are well capitalized—all comfortably meet the new Basel III minimum capital requirement—and liquidity buffers are solid.*

Prudential policies. *We support the RBNZ's recent introduction of a number of measures in response to house price inflation and to boost financial sector resilience, including tight limits on high loan-to-value ratio lending. Some recent data suggest that the measures have had an impact, cooling mortgage lending. More generally, the available tools under the new macro-prudential policy framework should be viewed as a complement to macroeconomic and micro-prudential tools, used sparingly and with caution, and primarily with the objective of limiting the buildup of system-wide financial risk.*

2015

[New Zealand: Staff Concluding Statement of the 2015 Article IV Mission \(imf.org\)](#)

- *Banks remain well-capitalized and stress tests indicate that the sector can withstand a sizeable shock to house prices, the terms of trade, and economic activity. They have also reduced their reliance on foreign sources of funding.*
- *House prices: The Auckland housing market could be increasingly driven by self-reinforcing demand dynamics which could eventually lead to a sudden sharp correction in*

house prices. High levels of household debt also imply that a rise in interest rates could strain their ability to service debts, squeeze disposable income and consumption, and possibly trigger declines in house prices.

On the upside, a stronger-than-anticipated supply response to housing demand could pave the way for a smoother deceleration of house price inflation while supporting growth,

For monetary policy to be able to focus on the real economic cycle, the risks arising from further house price inflation in Auckland need to be managed through other policy measures. The underlying issue is a supply/demand mismatch. Intensifying efforts already underway to boost higher-density housing, and increase the supply of land and infrastructure in the city would be welcome, including through better local/central government coordination and measures to discourage land hoarding, but even then the supply response will be slow. Therefore, in the interim, to buy time, other measures can usefully be employed:

- *Prudential measures:* The impact of the new measures to reduce financial stability risks will need to be evaluated, but the authorities should be prepared if further steps are needed. This could include targeted higher risk weights on housing loans, higher down payments, and a formal debt serviceability test.
- *Tax measures:* The newly introduced measures to deter speculative investment are welcome, and further steps in this direction should be envisaged. In addition, a more comprehensive reform to reduce the tax advantage of housing over other forms of investments could be warranted. This could include reducing the scope for negative gearing.

2017

Policy challenges lie in managing the pressures of strong growth on infrastructure and on housing, particularly in Auckland. Easing housing supply constraints will be important to safeguard the long-term attractiveness of New Zealand for skilled labor and business.

4. Household debt vulnerabilities are expected to stabilize in the medium term but will remain high. Tighter macroprudential policies, higher interest rates, moderating net migration, and easing housing supply constraints should result in lower house price increases.

Containing household balance sheet vulnerabilities will be critical for financial sector stability while underlying demand-supply imbalances in the housing market are being addressed.

10. While prospectively stabilizing at a high level in the medium term, housing-related macro-financial vulnerabilities are expected to increase in the near term. A root cause of these vulnerabilities is a demand-supply imbalance in the housing market, especially in Auckland, which has resulted in a house price boom and overvaluation, and high levels of household debt. The authorities have taken steps to enable more housing supply (see paragraph 14). Even with these measures (which could be broadened), the resolution of demand-supply imbalances will take time, and vulnerabilities should be contained with macroprudential policies in the meantime.

11. The RBNZ's macroprudential toolkit needs broadening. Exposure limits to high loan-to-value ratios (LVRs) have reduced the potential losses on bank balance sheets if a household defaults. But they do not protect banks against an increase in the number of households defaulting, the probability of which has increased with the rising debt-to-income (DTI) ratios on new loans. To strengthen household balance sheet resilience and reduce the probability of household defaults under downside shocks, the macroprudential toolkit should be extended to include a DTI or (stressed) DSTI instrument, in line with recommendations by

the FSAP. These directly target the most acute household vulnerability. Other macroprudential instruments available to the RBNZ are approaching their practical limit (LVRs) or address the problem indirectly, with limited effectiveness and higher risks of unintended consequences. The new instrument should be activated in the event that effects of the most recent macroprudential package on credit growth prove to be temporary.

- **Targeting housing supply bottlenecks more broadly would safeguard the attractiveness for high-skilled immigration and business.** Measures, such as the Auckland Unitary Plan and the Housing Infrastructure Fund, should be complemented by a comprehensive reform of urban planning legislation and measures to support local infrastructure financing. The latter could include some central government funding (given wider agglomeration benefits), more efficient property taxation, and user charges.
- **Redirecting saving incentives from housing to other investments.** A broader capital gains tax on real estate would lower the incentives for investment in housing. Limiting negative gearing for rental properties would work in a similar direction.

2018

[New Zealand: Staff Concluding Statement of the 2018 Article IV Mission \(imf.org\)](#)

The government's ambitious policy agenda to restore housing affordability appropriately focuses on strengthening supply and lowering tax distortions.

While the main macroeconomic imbalances have been addressed, managing housing-related risks has been challenging. Rising house prices were associated with rapid household credit growth through 2016 and household debt rising from already high levels. Affordability concerns have also become more pressing, especially for first-time home buyers.

...the new KiwiBuild program should result in a gradual increase in residential investment growth,

Household debt-related vulnerabilities are expected to decrease following recent stabilization. Macroprudential policy intervention contributed to slowing household debt growth, and momentum in house prices moderated last year. While housing demand fundamentals remain robust under the baseline outlook, the soft landing in the housing market should continue, reflecting increasing supply and, in the medium term, gradually rising domestic interest rates. The interest burden on household debt should remain low, given relatively small expected increases in interest rates.

Household debt remains high under the baseline outlook and would amplify the impact of large downside shocks, notwithstanding recent improvements in its risk structure after macroprudential policy intervention. Such shocks could also trigger a disruptive housing market correction.

Macroprudential policies have contributed to reducing risks to financial stability and should continue to mitigate risks from high household debt. Bank and household balance sheets have become more resilient with a lower share of loans with high loan-to-value ratios (LVRs). With household debt still elevated, further relaxation of LVR restrictions beyond those that became effective on January 1, 2018 would not be helpful under the baseline outlook.

Fostering Housing Affordability

The government has initiated an ambitious policy agenda to restore housing affordability, which appropriately focuses on strengthening supply and lowering tax distortions . The agenda includes several work streams. The KiwiBuild program aims to increase housing supply at affordable price points. The Urban Growth Agenda aims to address regulatory, planning and other policies that reduce development capacity for growth, along with the under-funding of local infrastructure development and maintenance. The government has already announced the extension of the bright-line test on sale of residential property from within two years of purchase to within five years and also proposes to limit negative gearing from rental properties. A Tax Working Group is considering possible additional reform, including a broader capital gains tax on real estate investment and land tax reform, although its mandate is narrow on the latter. These reforms are complementary, and the success of the housing policy agenda will depend on well-coordinated progress on all fronts.

A ban of residential real estate purchases by nonresidents is unlikely to have a significant impact on housing affordability. The proposed ban in the draft amendment to the Overseas Investment Act is a capital flow management measure (CFM) under the IMF's Institutional View on capital flows. The measure is unlikely to be temporary or targeted, and foreign buyers seem to have played a minor role in New Zealand's residential real estate markets recently. The broad housing policy agenda above, if fully implemented, would address most of the potential problems associated with foreign buyers on a less discriminatory basis.

2019

[New Zealand: Staff Concluding Statement of the 2019 Article IV Consultation Mission \(imf.org\)](https://www.imf.org/en/News/Articles/2019/04/25/190425-nz-staff-concluding-statement)

Macroeconomic policy settings are broadly appropriate, while macroprudential policy settings are attuned to macrofinancial vulnerabilities in the household sector, which have started to decline but remain elevated.

Housing markets have cooled but affordability constraints remain. The cooling reflected a tightening in banks' mortgage lending standards, the tightening of loan-to-value ratio (LVR) restrictions by the RBNZ during 2016-17, and declining affordability. Bank lending has slowed across all sectors, growing now broadly in line with nominal GDP.

The scope for easing macroprudential restrictions is limited, given still-high macrofinancial vulnerabilities. The shares of riskier home loans in bank assets (those with very high LVRs, high debt-to-income, and investor loans) has moderated due to the combined impact of the LVR settings and tighter bank lending standards. However, with the RBNZ's recent easing of the LVR restrictions, improvements in some macroprudential risk factors such as credit growth have recently stalled or started to reverse. Further easing of LVR restrictions should consider the possible impact on banks' prudential lending standards, as well as the risks to financial stability from elevated household debt.

Macroeconomic and Macroprudential Policy Settings Are Broadly Appropriate

The current monetary policy stance fits the subdued inflation conditions. The RBNZ lowered the cash rate from 1.75 to 1.5 percent in May 2019, reflecting a somewhat weaker inflation outlook. With renewed disinflation in internationally traded goods and services, a period of sustained growth above the economy's full employment capacity is needed for underlying domestic inflation to rise further. With downside risks to growth, employment, and

inflation, insufficient monetary accommodation still is a bigger concern than upside risks to inflation if the monetary policy stance turned out to be too expansionary.

Mitigating supply constraints is critical for improving housing affordability. *House prices are expected to continue rising under the baseline economic outlook. Demand for housing is likely to remain strong, given population growth and low interest rates, while the supply response is constrained, by land use and other restrictions, and construction costs are high. Improving housing affordability would reduce inequality and contribute to lower macrofinancial risks, and, in the longer term, make growth more sustainable. Supply-side reforms are central for broad improvements in affordability, although additional direct support might be required for some lower-income households.*

The government has advanced in its comprehensive housing policy agenda. *The establishment of the Ministry of Housing and Urban Development should help in implementing housing policies. The government entity Kāinga Ora—Homes and Communities is intended to become the lead developer for affordable homes and public housing. Steps have also been taken to support local governments' infrastructure funding and financing to facilitate timely infrastructure provision. Further work is needed to complete the agenda, including enabling local councils to actively plan for and enable housing supply growth and planning reforms. The IMF team welcomes the government's intention to consider adding elements of tax reform, such as a vacant land tax, to the agenda. A broad land tax would offer additional benefits. This comprehensive agenda should foster housing affordability on a non-discriminatory basis.*

2021

[New Zealand: Staff Concluding Statement of the 2021 Article IV Discussions \(imf.org\)](#)

- *The rapid rise in house prices raises concerns around affordability and financial vulnerabilities. A comprehensive policy response is needed, including measures to unlock supply, dampen speculative demand, and buttress financial stability.*

Vulnerabilities in business and household balance sheets should be monitored. *Household and non-financial corporate balance sheets have held up relatively well during the crisis, and banks remain adequately capitalized and liquid. However, business insolvency, especially in disproportionately affected sectors, will likely increase with the expiry of COVID-19 support. Surging house prices have supported household balance sheets but amplify affordability concerns for first home buyers and financial stability risks.*

Surging house prices should be addressed primarily through fiscal, regulatory, and macroprudential measures, though monetary policy may have a role if house prices pose risks to the inflation objective. [NB no mention of recent Remit change]

The deployment of macroprudential tools to address housing-related risks is welcome. *The reinstatement of loan-to-value ratio (LVR) restrictions in March and further tightening for investors from May 2021 will help mitigate stability risks. Additional tools, including debt-to-income ratio limits, caps on investor interest-only loans, and higher bank capital risk weights on mortgage lending, are under consideration and could play a useful role in addressing housing-related risks. [NB no mention of recent govt sec 68B direction.]*

Tackling supply-demand imbalances in the housing sector requires a comprehensive approach.

· Achieving long-term housing affordability depends critically on freeing up land supply, improving planning and zoning, and fostering infrastructure investments to enable fast-track housing developments. Steps taken to support local councils' infrastructure funding and financing would facilitate a timely supply of land and infrastructure provision. The reform of the Resource Management Act is expected to reduce current complexities in land use that restrict infrastructure and housing development and contribute to efficiency in strategic planning. Increasing the stock of social housing also remains important, and the Residential Development Response Fund's plans to deliver 18,000 public houses and transitional housing space, undertake rental housing reforms, and provide assistance to low-income households are welcome.

· Mitigating near-term housing demand, particularly from investors, would help moderate price pressures. Introduction of stamp duties or an expansion of capital gains taxation could reduce the attractiveness of residential property investment. The authorities should differentiate in these approaches between first home buyers and investors, while continuing to provide selective grant and loan assistance to first-time buyers.

Productivity

2009

Nothing I noticed (not really surprising given recession/crisis focus).

2010

9. Tax reforms could help raise potential growth. *Shifting the tax burden from income to consumption—as suggested by the Tax Working Group—would raise incentives to work and invest, thereby increasing growth over the medium term and improving competitiveness. Reducing tax incentives to invest in rental properties may help improve the allocation of capital. Our analysis suggests that a 1 percent of GDP shift of capital and labor income taxes to GST would likely raise the level of real GDP by almost 1 percent after 5-6 years.*

25. Vulnerabilities related to external debt would be reduced by structural reforms to raise productivity and labor force participation, thereby lifting potential growth and export capacity. *The government is considering a number of reforms with this aim, including tax and benefit reform, streamlining regulation, and establishing a Productivity Commission.*

2011

12. *We welcome the tax reform announced in the 2010/11 budget, including by increasing the GST rate from 12½ to 15 percent, cutting personal income tax rates, and reducing tax incentives to invest in properties.*

26. *We support the recommendations of the Savings Working Group on tax reform. They include indexation of interest income and expenses for inflation and further shifts from income to consumption taxation over the medium term, while maintaining the broad base for the GST. We would also advise continuing efforts to broaden the tax base, including looking at capital gains tax settings and introducing a land tax, in order to fund growth enhancing tax rate reductions.*

27. *Vulnerabilities related to external debt would be reduced by structural reforms to raise productivity and labor force participation, thereby lifting potential growth and export capacity.*

We welcome efforts to streamline regulation and improve government service provision. In addition, the recent report of the Welfare Working Group has identified major deficiencies in New Zealand's welfare system that need to be addressed. We support the working group's recommendation to reduce long-term benefit dependency by encouraging beneficiaries to seek employment.

2012

Nil

2013

Nil

2014

Nil

2015

Raising saving is key to addressing this vulnerability. Higher private and in particular household saving would improve the international investment position, render the economy less susceptible to external developments, and help long-term growth by lowering capital costs for businesses, incentivizing productive investment which would lead to capital deepening. In this regard, comprehensive measures to encourage private long-term financial saving should be considered, including through reform of retirement income policies. Options include changing the parameters of the Kiwisaver scheme—e.g., default settings, access to funds, and taxation—to increase coverage and contributions while containing fiscal costs, and adjustment of parameters of the public pension system. This could help deepen New Zealand's capital markets and broaden options for retirement planning.

Despite the implementation of successful structural reforms in the 1980s, productivity levels have remained low compared to OECD peers. To raise productivity, the government's business growth agenda has identified a number of policy priorities. Specifically, the Productivity Commission has highlighted the need to raise productivity in the services sector (which accounts for 70 percent of the economy). Measures include boosting competition in key sectors such as finance, real estate, retail, and business and other professional services; and leveraging ICT technology more intensively, including by enhancing skills.

2017

14. Measures to lift potential growth should focus on leveraging the benefits from high net migration, innovation, and interconnectedness. *These benefits could help compensate for New Zealand's remoteness and small market size. The following policies would seem most promising in this respect:*

- *(first 2 bullets in the housing section)*
- **Providing support for innovation.** *These efforts could go beyond the current budget announcement of the "Innovative New Zealand" program, which increased financing for science and some R&D grants, and subsidies for tertiary education by 0.1 percent of total annual spending. If the pilot is successful, spending should be ramped up.*
- **Continuing efforts toward further trade liberalization, in regional and multilateral fora, as intended.** *Expanding access to service export markets would also strengthen domestic services sector productivity. Even broader market access*

for agricultural products would also help, including by raising incentives for diversification and innovation in the sector.

2018

Supporting Productivity and Inclusive Growth

The government's structural policy agenda seeks to support productive, sustainable, and inclusive growth. The initial emphasis has been on minimum wages; productivity, including research and development (R&D) and education; tax reform; regional development; and trade policy. Many elements of the agenda are still under development.

- **The proposed minimum wage increases out to 2020 could help ease income inequality.** But, as a result, New Zealand will have the second-highest minimum-to-median wage ratio in the OECD. In the current strong growth environment, the negative impact of higher minimum wages on employment growth, international competitiveness, and labor productivity are likely to be minimal, although there are risks that these impacts might turn out to be larger in a downturn.
- **Free tertiary-level education and training for at least one year could boost human capital.** Given its potential fiscal cost, the program could include greater targeting based on needs, possibly beyond the current time horizon.
- **The agenda appropriately focuses on lifting R&D spending in New Zealand to 2 percent of GDP.** An R&D tax credit, if well designed, would be an efficient instrument to support R&D spending in the business sector.
- **Tax reform could play an important role in shifting incentives toward broader business investment.** Estimates of marginal effective tax rates published by the Tax Working Group suggest that investment in residential real estate is effectively tax-favored compared to other investment. In contrast, introducing progressive corporate income taxation is unlikely to be helpful, considering the relatively small size of businesses in New Zealand. New companies and startups can be supported more effectively through other instruments, such as R&D tax credits or grants. Broad tax bases will support corporate investment and productivity more generally.
- **The new Provincial Growth Fund should ensure project selection that helps regions to benefit from income gains more in line with the major urban centers.** It can also be an appropriate tool to relieve pressures on the major urban areas by encouraging movement of population into the regions.

New Zealand's continued support of open trade and the multilateral trade framework is welcome. As one of the initial signatories of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CP-TPP), New Zealand will benefit from increased market access and new growth opportunities. Foreign direct investment complements the productivity benefits of international trade, and New Zealand would benefit from an improvement of the current policy regime. In particular, restrictions under the Overseas Investment Act could be clarified, while the administrative burden associated with direct investment approvals could be reduced.

2019

The government's structural policy agenda appropriately focuses on reducing infrastructure gaps, increasing human capital, and lifting productivity, while seeking to make growth more inclusive and improve housing affordability.

Addressing low productivity growth will be central from a wellbeing perspective. New Zealand risks missing out on new technologies embodied in capital, as capital deepening has stalled in the current expansion. Within the greater focus on wellbeing using the Treasury's Living Standards Framework, the government seeks to build on key recommendations, by the Productivity Commission and international organizations, to foster productivity growth, primarily by encouraging physical and human capital formation, but also by increasing the focus on complementary social objectives and housing affordability. In this respect, the IMF team welcomes the introduction of a new R&D tax credit regime, with a broad definition of R&D and focus on younger firms; the creation of the New Zealand Infrastructure Commission (NZIC) to help in closing infrastructure gaps; and the reform of the vocational education and training (VET) sector. It also welcomes the government's commitment to achieving its emissions targets under the Paris Agreement and the intention to set up a framework for climate change policies.

2021

Structural policies should aim at fostering durable, inclusive, and green growth. Expanding research and development spending and product market reforms can help accelerate productivity growth. The ongoing reform of the Overseas Investment Act is an opportunity to streamline the foreign direct investment approval process and deepen connectivity with global markets. In this context, the government's intention to use the new national interest test sparingly is welcome. Infrastructure spending should aim to reduce the existing infrastructure gap, and the post-COVID-19 recovery offers opportunities for a re-orientation of investment towards low-emissions infrastructure and technology. Labor market policies should focus on supporting displaced workers and disadvantaged groups, while promoting reallocation of resources and long-term human capital accumulation.