

New Zealand macro points

Prepared for VUW Macro Group meeting with Treasury November 2021

(with two key charts updated 13/12/24 to the 2023 March year)

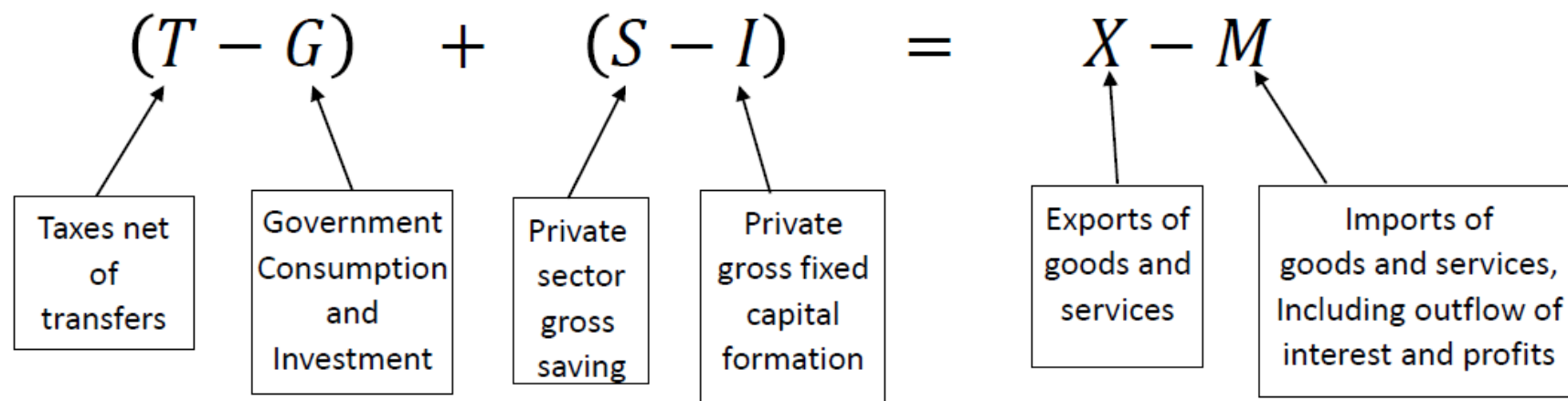
Macro balances

- Aggregate demand and supply must always balance
- Start from the textbook macro identity

$$C + I + G + X - M \equiv Y$$

Aggregate demand for output = Supply of domestic output

- Which can be dissected and rearranged to give

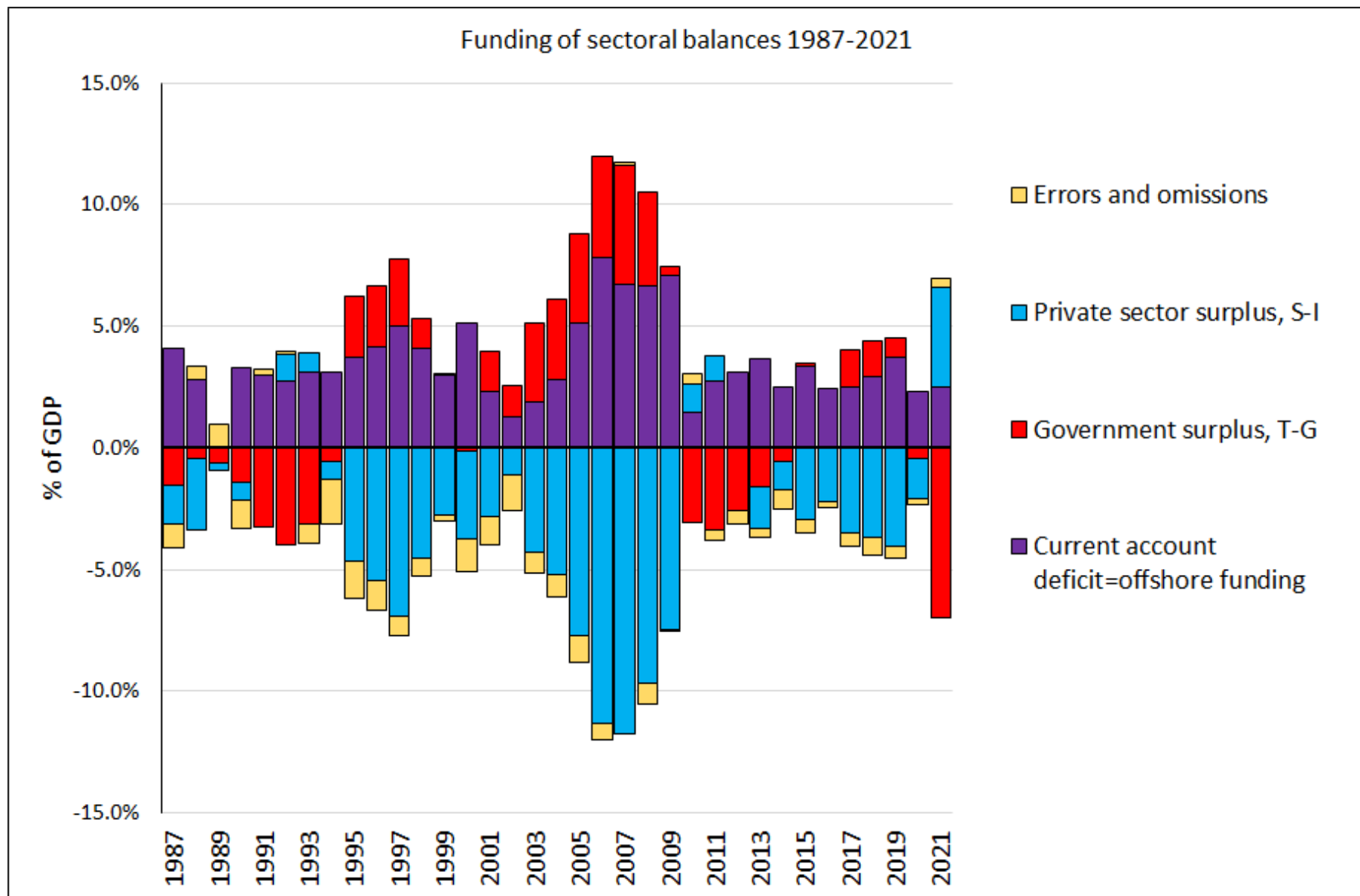


FISCAL SURPLUS + PRIVATE SECTOR SURPLUS = BALANCE OF PAYMENTS CURRENT ACCOUNT

-----TOTAL NATIONAL SAVINGS-----

The overall sector balance is binding

- ⇒ fiscal austerity will fail to change the fiscal balance unless either private saving or the balance of payments current account change to accommodate
- The current account is relatively unyielding
- So fiscal austerity mainly forces private sector dis-saving



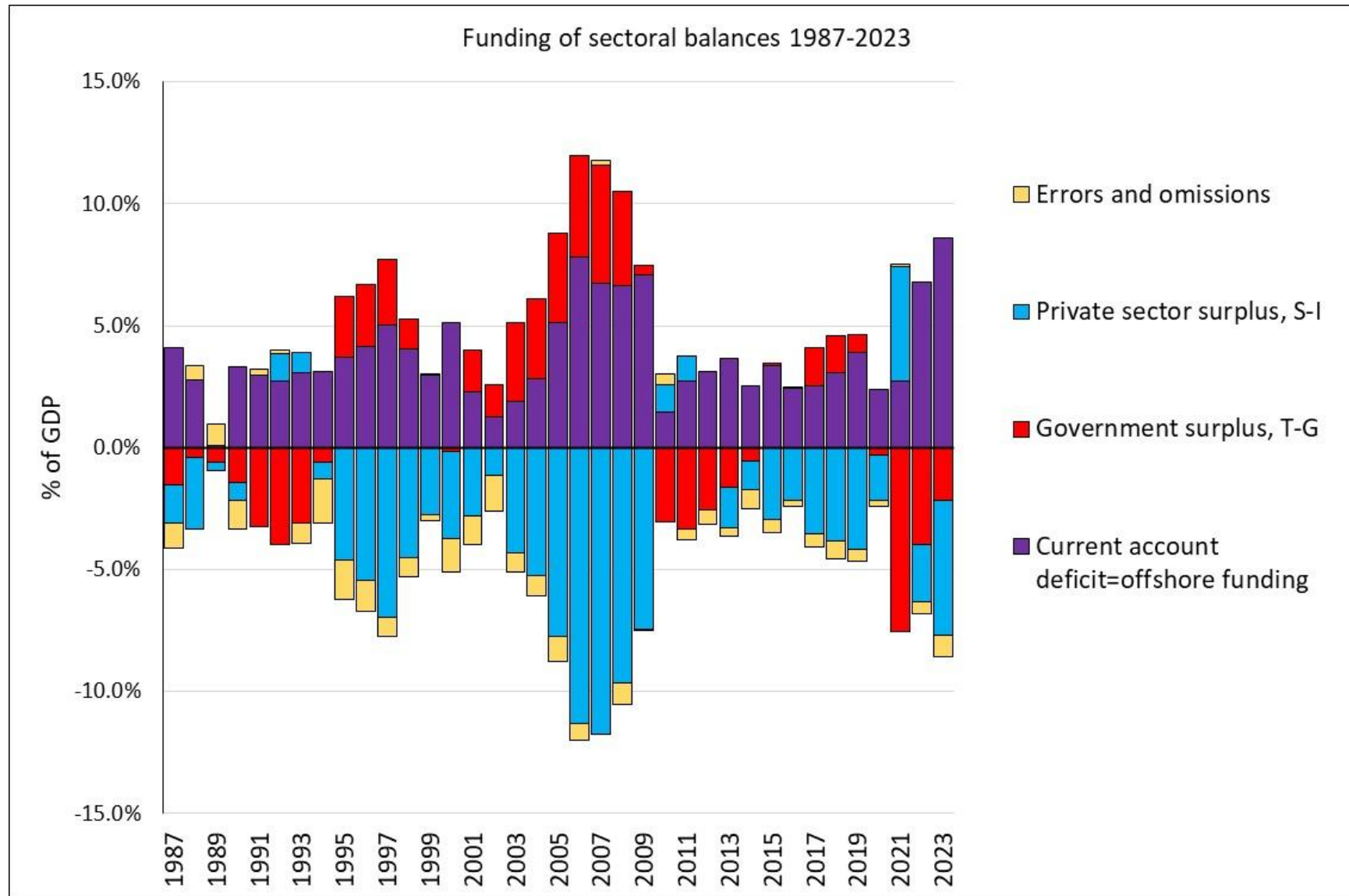
Current account balance is Series BOPA.S06AC100000000D (current account balance) from Infoshare table BOP055AA updated 22 September 2021, divided by Series SNEA.SG02NAC00B15Z (GDE expenditure measure) from Infoshare table SNE023AA updated 19 November 2021.

Government surplus is Series SNEA.S3NB8000S300C0 (General Govt saving) plus SNEA.S3NK1000S300C0 (General Govt consumption of fixed capital) minus SNEA.S3NP5100S300C0 (General Govt GFCF) from Infoshare table SNE214AA updated 19 November 2021, all divided by Series SNEA.SG02NAC00B15Z (GDE expenditure measure) from Infoshare table SNE023AA updated 19 November 2021.

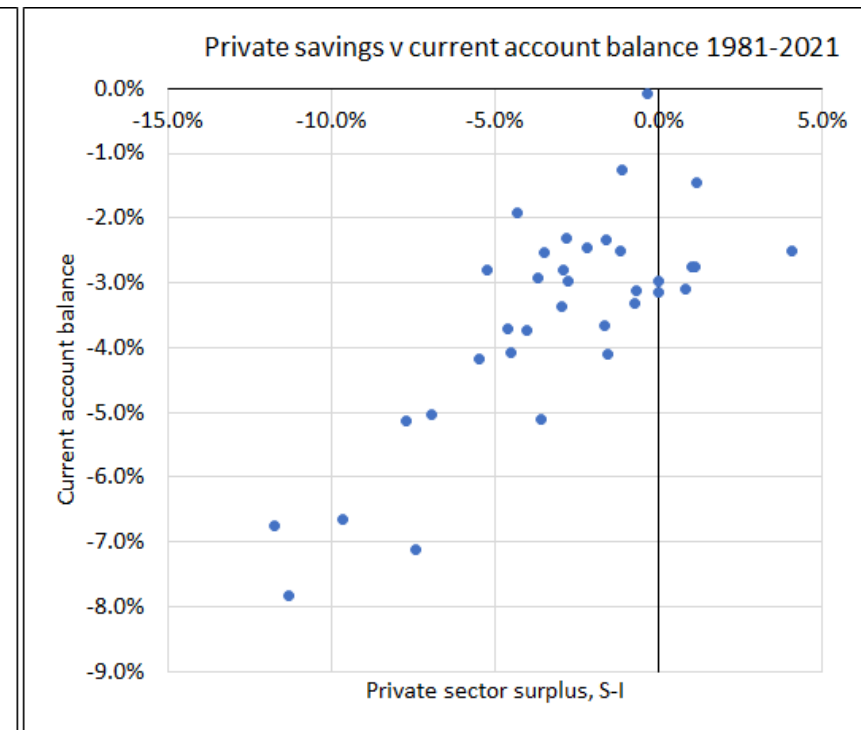
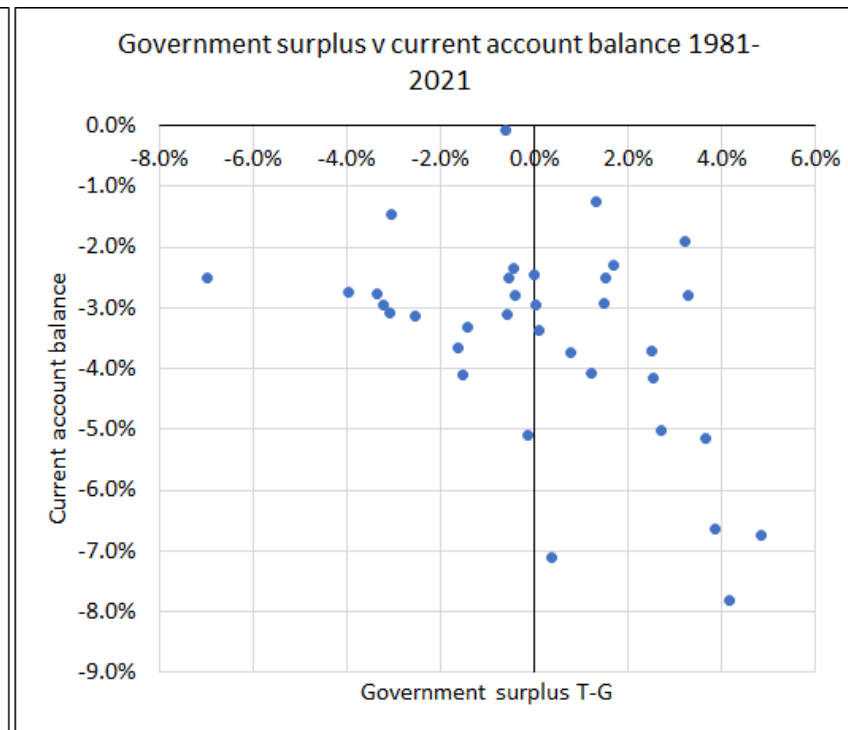
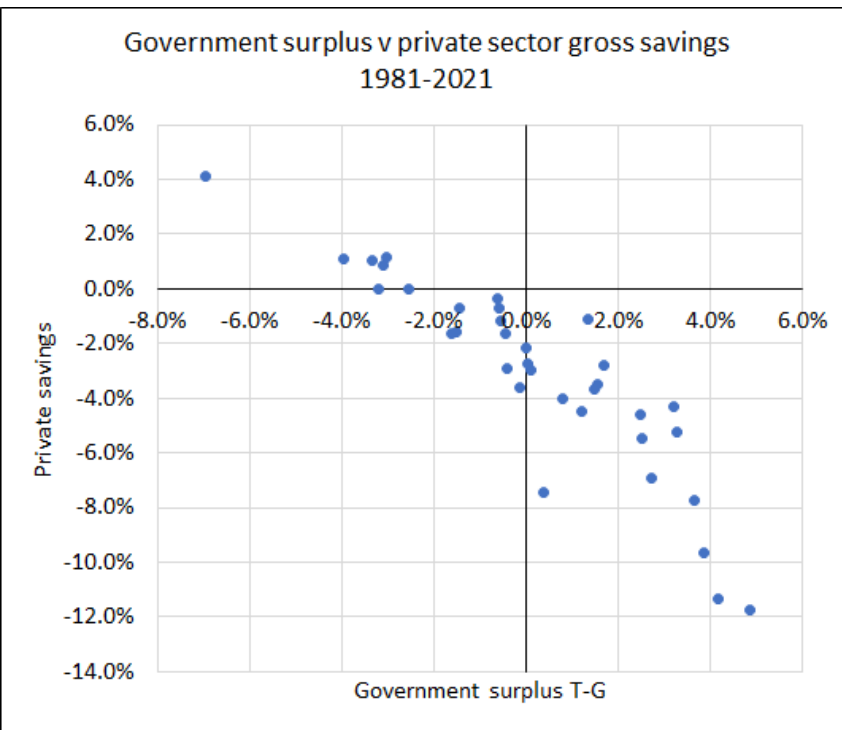
Private sector saving is calculated as Series SNEA.SG04NAC00B08 (Saving, from Infoshare table SNE095AA, the national disposable income account) minus Series SNEA.S3NB8000S300C0 (General government saving) (from Infoshare table SNE214AA), plus Series SNEA.SG05NAC00K10 (total consumption of fixed capital from Infoshare table SNE105AA), minus SNEA.S3NK1000S300C0 (General gov't consumption of fixed capital from Infoshare table SNE214AA) all updated 19 November 2021.

Errors and omissions is a residual balancing item.

Chart updated to 2023:

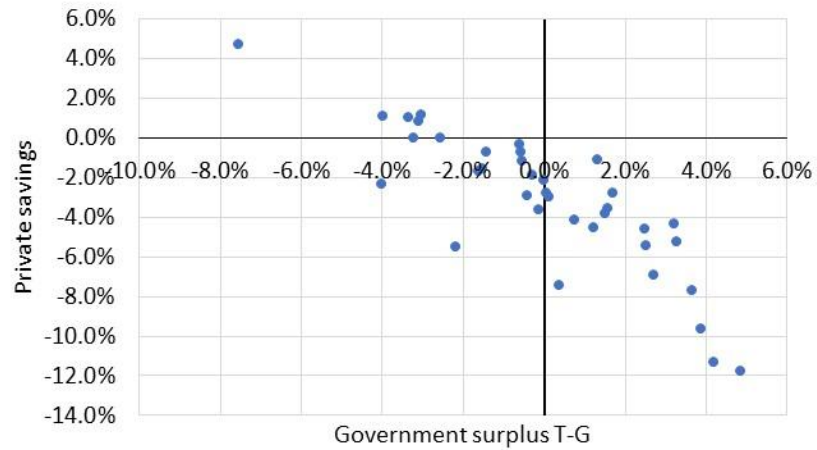


Government austerity hits private savings, not the current account. But private savings and the current account are directly linked.

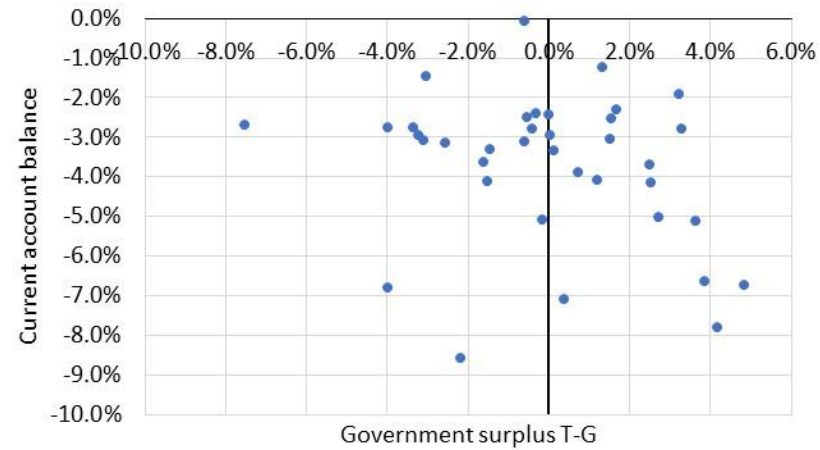


Charts updated to March year 2023:

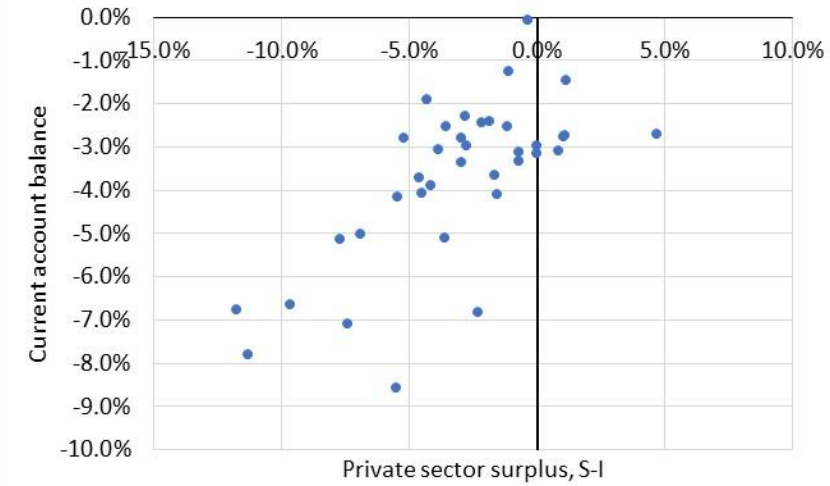
Government surplus v private sector gross savings
1981-2023



Government surplus v current account balance 1981-
2023



Private savings v current account balance 1981-2023

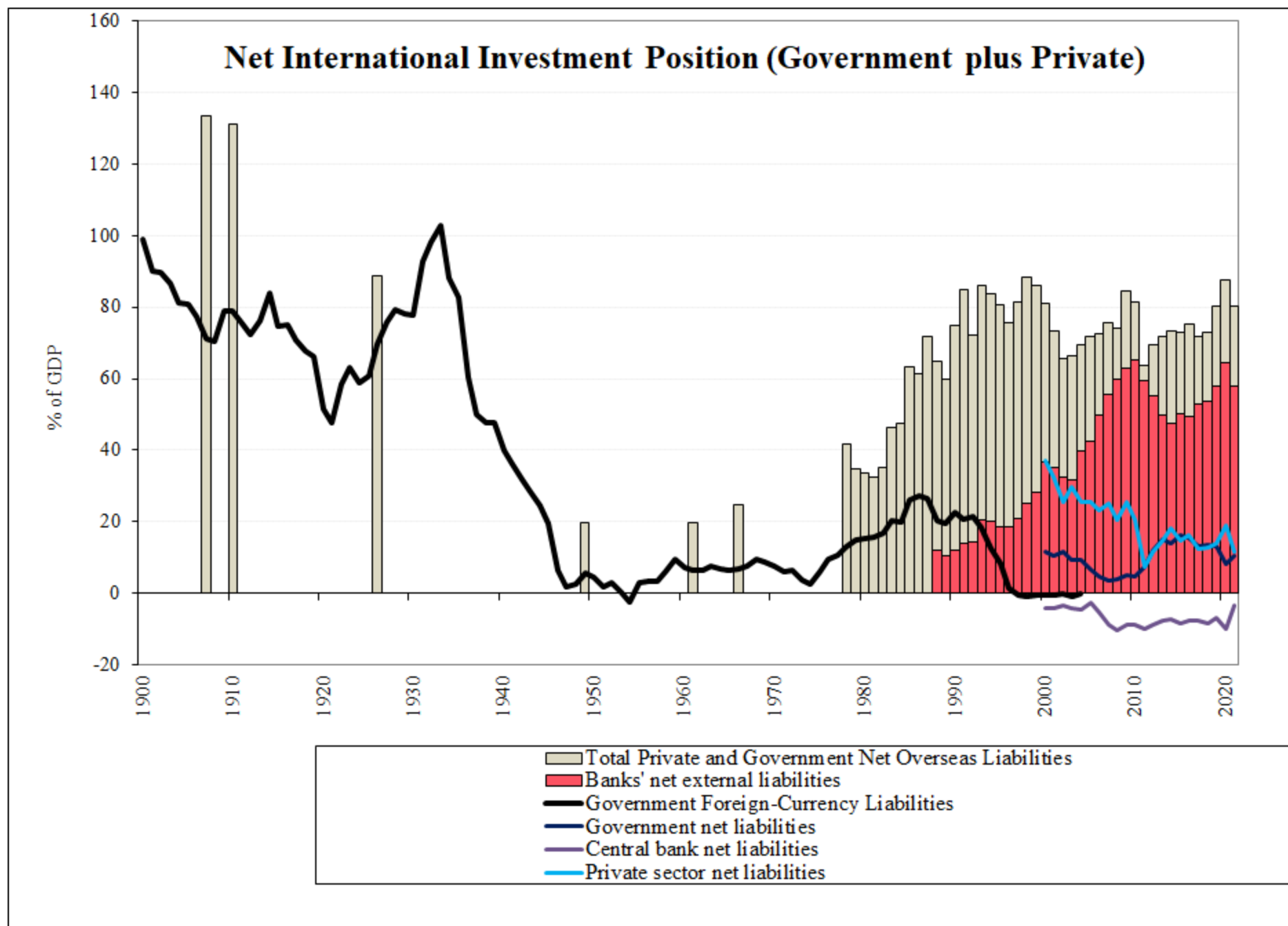


Government-debt obsession is misguided => s26g of PFA should be repealed

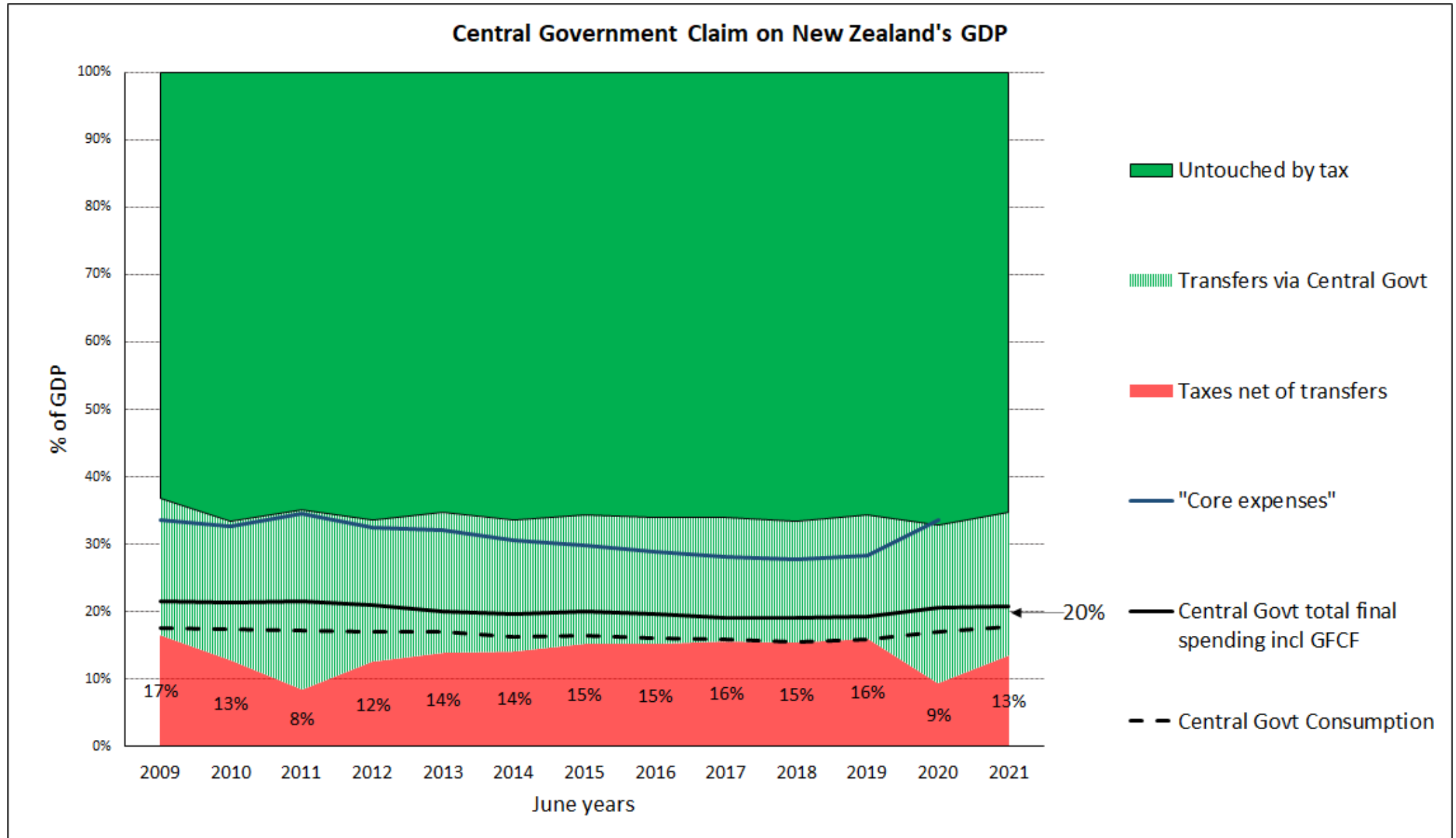
- (a) reducing total debt to prudent levels so as to provide a buffer against factors that may impact adversely on the level of total debt in the future by ensuring that, until those levels have been achieved, total operating expenses in each financial year are less than total operating revenues in the same financial year; and

Increasing debt is often responsible
- (c) achieving and maintaining levels of total net worth that provide a buffer against factors that may impact adversely on total net worth in the future; and

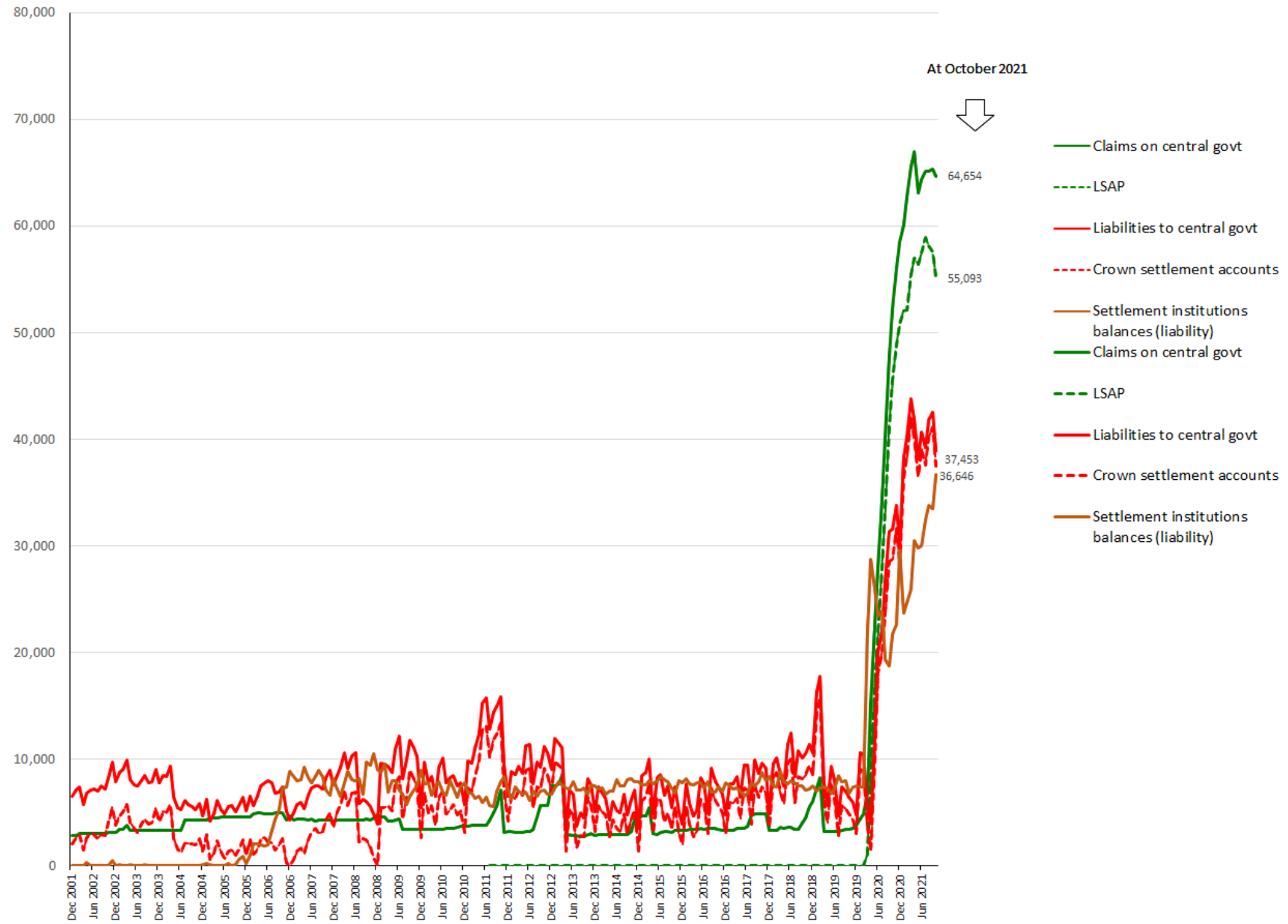
Government cannot be sold off so net worth is no buffer



Including transfers in “core Government” is seriously misleading and just feeds neoliberal propaganda



RBNZ vis-a-vis Central Government



Automatic stabilisers can be long-run as well as short

- Short-run: progressive tax system plus transfers to unemployed and benefit recipients
- Long-run: wealth transfer taxes (inheritance and gifts), wealth tax, capital gains tax