

New Zealand has a long history of using sector-based insights and policies, and MBIE is heavily involved in sector-based economic development. Well calibrated and coordinated sector-based policies can help address New Zealand's enduring and future-focused economic challenges.

CURRENT STATE

Government aims to deliver higher incomes and better social outcomes for New Zealanders by building a **productive, sustainable, inclusive and resilient economy**.

Challenges tend to be similar among firms in the same sector with comparable inputs, business models and workforce characteristics

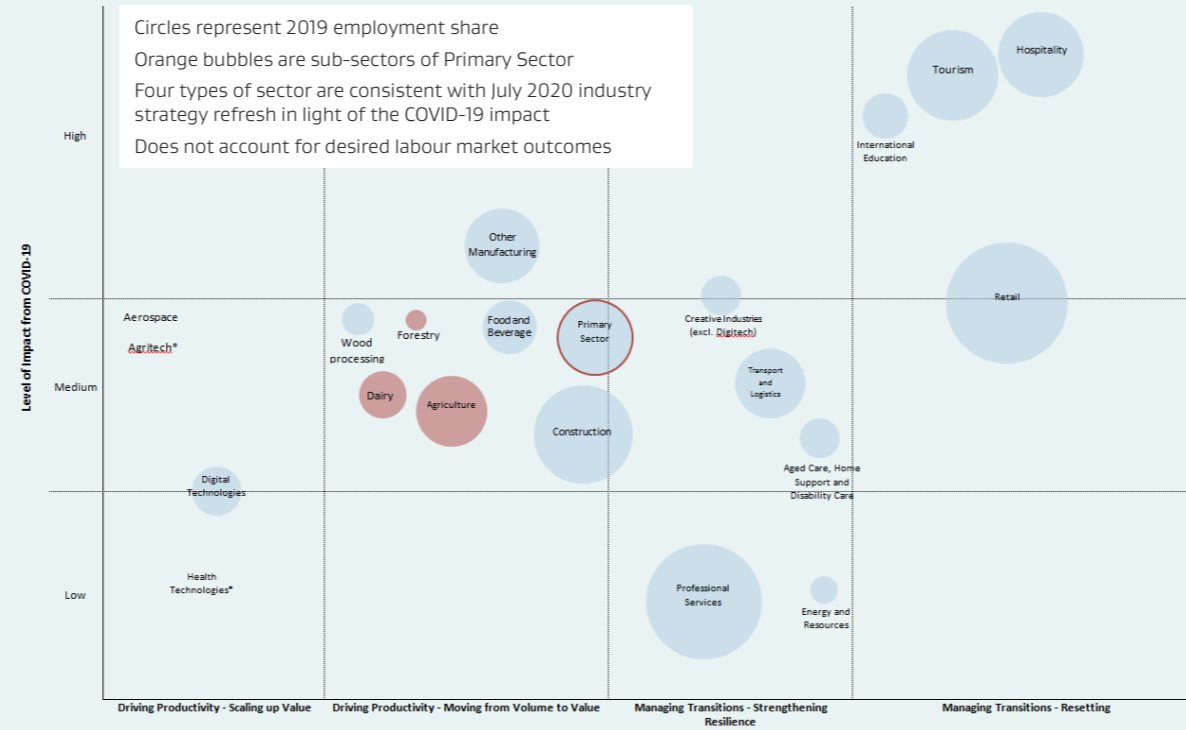
A **sector-level lens** therefore provides a rich and deep understanding of our economy, which inform **both horizontal and sector-based policy decisions** that strike a balance between outcomes for individual firms and New Zealand as a whole

New Zealand's sectors face a number of enduring challenges, which vary in significance by sector

- › Our strong traditional sectors face productivity and sustainability challenges
- › Our export industries are predominantly volume-based, and we have few industries with global comparative advantage
- › We have mixed labour market outcomes, with a high reliance on low-skilled migrant labour in certain sectors
- › Persistent inequalities between regions and communities

We also have some promising sectors with potential to grow high value, high skilled, sustainable jobs, including agritech, digital tech, and space

COVID-19 has had an uneven impact on sectors and people, with unemployment increasing variably by sector and particularly for Māori, Pasifika, women and young people.



LOOKING AHEAD

Challenges

- › Alongside **enduring challenges**, we face **future-focused** challenges such as climate change mitigation and adaptation, technology change and demographic change
- › The economic impact of COVID-19 has and will continue to severely compromise economic activity
- › There will be choices and trade-offs to make on scope and extent of Government support and policy, for example:
 - whether to support sectors that may no longer be viable / globally competitive
 - skill level requirements for migrants
 - support for employment initiatives versus the (potentially slower track) development of higher quality employment

Government has a variety of levers to support and drive change. The use of levers varies by sector and the change sought.

The table shows some examples of how MBIE is currently applying levers in sectors.

SECTORS	CURRENT LEVERS USED	CHANGE SOUGHT (can be multiple and cross-cutting)
Agritech Digital technologies	Industry Transformation Plans Enabling Māori Framework Provincial Growth Fund	Realise opportunity of scaling up high productivity, high value sectors Facilitate Māori economic development
Horticulture and viticulture Road freight Fishing	Immigration policy settings Sector workforce engagement programme Provincial Growth Fund	Reduce reliance on low-skilled migrant labour, reduce health and safety issues, increase domestic workforce, reduce migrant exploitation issues
Advanced manufacturing Food and beverage Forestry and wood processing Construction	Industry Transformation Plans Enabling Māori Framework Provincial Growth Fund	Realise opportunity of moving from volume to value Improve labour market outcomes Reduce health and safety issues Facilitate Māori economic development
Tourism	Tourism Futures Taskforce	Reset post-COVID given significant impact
Energy and resources	Just Transitions Plan (Taranaki) Renewable energy markets work programme Provincial Growth Fund	Decarbonisation, and support of community through transition
Space	Space Strategy	Realise potential of emerging high value sector
Screen	NZ Screen Production Grant	Facilitate growth and deepening of sector to realise wider economic benefits

EXAMPLE: Food and Beverage Sector

The food and beverage sector is a good example of a sector where multiple levers across different portfolios need to be in sync to be able to realise its potential.

This sector has good prospects for growing high-value exports and creating employment. It has multiple mutually reinforcing elements: scale, diversity, regional reach, entrepreneurial energy, Māori involvement and comparative advantage.

Together these can drive employment growth in the short term, and transformation in the long term, leveraging New Zealand's "backbone" primary sector (horticulture/agriculture) to produce higher value.

Opportunities

- › The Government's response to COVID-19 is an **opportunity to actively prioritise a higher-value recovery**
- › For example, based on rich sectoral knowledge, **Government could choose** to advantage particular firms and anchor projects that best **promote industry growth**, which in turn should **foster improved household and individual well-being**
- › In the same vein, Government could actively choose to **not support practices (at sector or firm level) known to impede productivity growth or produce poor labour market outcomes**, e.g. through applying different immigration settings to visas
- › Implementing such active decisions requires **effective coordination across interdependent portfolios** and their levers, **not just economic development but also contributing portfolios** such as skills and education, and research and innovation
- › The **right approach for transformation or transition will vary by sector**, because some sectors may be more interconnected than others, or require multiple kinds of support