UNIVERSITY OF AUCKLAND
INVESTMENT
CLUB

INVESTMENT BULLETIN

STUDENT WRITERS - STUDENT OPINIONS

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The University of Auckland Investment Club
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The editor's note

WRITTEN BY NIKHIL LUTHRA

Welcome to the third edition of the UAIC Investment Bulletin!

Three weeks in and I think we are finally getting the hang of this! Admittedly, the first two editions had a couple kinks that needed ironing out; but to learn, you must first fail.

One of the key messages that rang true to me in these first two weeks, is the idea of ones "circle of competency". Warren Buffet introduced this into his 1996 Berkshire Hathaway Shareholder Letter:

"What an investor needs is...to be able to evaluate companies within your circle of competence. The size of that circle is not very important; knowing its boundaries, however, is vital."

I have personally taken this approach when picking companies in the past. I have found that a clear logic chain is sometimes more valuable than the most adept technical skills.

Malcolm Gladwell takes this notion to the extreme in his book 'Blink: the power of thinking without thinking'. He explores the decision making prowess that is held in one's split-second intuitive hunch.

I suppose the point I'm trying to get at, much like last week, is that investing is often over-complicated by those reaching outside their circles of competency. If you are an inexperienced investor, don't try to analyse a multinational conglomerate.

Stick to what you know and try to learn more.

I mean, don't take it from me, take it from the Oracle of Omaha.

CONTRIBUTORS THIS WEEK

Vignesh Nair is taking a look at the road to recovery for NZ amidst our current economic downturn.

Jerry Ren is our token master's student on Bulletin this year. He has chosen to explore the notion of purchasing gold as a relief to a recession.

Tim Cross has chosen to pick up his pen and fight for us students in his article on the recent student loan increase.

Kyle Quindo - fresh from digging a storage unit for oil drums in his back yard. He has decided to comment on the current oil industry and its investment feasibility.

Sam Jain continues on his commentary of alternative investments. This week, he unearths a billion-dollar unicorn.

An update from the fund

A RUNDOWN OF THIS WEEKS PITCHES WRITTEN BY IC CHAIRMAN NEHAAL RAM

QANTAS AIRWAYS LIMITED

Pitched by Daniel Vaz, Senior Equity Analyst:

Qantas Airways Limited (ASX:QAN) is Australia's leading flagship carrier. Controlling 60% of the domestic market share and 26% of the international market share in Australia, Qantas delivers a dual-brand strategy through Qantas (International & Domestic) and Jetstar. Pre COVID-19, Qantas was aligned strongly towards serving across customers segments and extending its reach across the Asian Markets. Furthermore, Project Sunrise delivers a continuation of its profit maximisation strategy through long-haul flight management. Despite COVID-19 shaking up the airline industry, Qantas has displayed a strong resilience towards managing its earnings and financial position. Expecting Qantas to survive through the tailwind pressures of COVID-19 and a recovering economy through a domestic bounce-back (and a staggered international followthrough), the Investment Committee votes in favour of passing this on to the valuation stage. The final vote was delivered at 8/13. The valuation team will be headed by Daniel Vaz, Andrew Meng, and Nina Kashyap.

RAMSAY HEALTH CARE

Pitched by Andrew Meng, Senior Equity Analyst:

With over 480 locations across 11 countries, Ramsay Health Care (ASX:RHC) leadings the private acute health care sector. Founded in 1964, Ramsay is present in a variety of specialist care markets across multiple market segments. Global health care is rapidly growing, a reflection of baby boomer tailwinds, concentration in Europe's ageing population, and increasing access to information and health awareness. With a superior market positioning and a proved identity of clinical excellence, Ramsay provides substantial moats over its competitors. However, the performance of acquisitions (with the latest being Capio), insurance contract negotiations, and talent acquisition present valid risks. The Investment Committee votes in favour of passing Ramsay Health Care to the valuation stage with a vote of 12/14, the valuation will be headed by Andrew Meng, Tribhuvan Krishnan, and Anirudh Das.

"Is it a bird? Is it a plane? No, it's Australia's flagship airline" - Daniel Vaz, Senior Equity Analyst

"We know now - more than ever - how important a role health care services play in upholding a functioning society" - Andrew Meng, Senior Equity Analyst

Exploring index funds

PART 3: WRITTEN BY CHRISTOPHER WONG

HOW AN INDEX FUND FUNCTIONS

A majority of financial markets around the world are tracked by an index, as a representation of the overall performance of the market. For example, New Zealand has the NZX20, Australia has the ASX200, and the United States has the S&P 500. To understand how an index fund works, active and passive investing must first be explained. Active fund management involves a fund manager who decides which specific stocks to buy/sell, which stocks to allocate in the portfolio when to enter and exit a position etc. This is done to outperform the index which they are benchmarked against to produce capital gain and income for the investors of the fund. On the other hand, index investing involves a fund manager constructing a portfolio that replicates a particular index. Contrary to active management, passive management does not seek to beat the benchmark, rather, it aims to replicate the returns of the index that it is tracking.

A third-party index provider is responsible for establishing and maintaining the index itself. Therefore, an index fund manager must ensure that the fund tracks its underlying index. Tracking may be defined as trying to include all of the constituents in the index, in the same proportion as the index. As such, one of the core duties of the manager of an index fund is to rebalance the portfolio, usually between two to four times within the period of a year. Rebalancing the portfolio needs to occur when one of the two scenarios occur. Firstly, if the index is weighted, the portfolio manager must rebalance the percentage of different securities in their portfolio to mimic the weight of the underlying index. Secondly, if a company of an index no longer satisfies the index criteria, it may be replaced. The manager must then adjust the portfolio accordingly. The fund manager must then buy the investments that the index provider puts in the index, and then make further purchases or sales when the index provider adjusts the index.

There are two main ways index funds can be accessed by investors. First, exchange-traded funds (ETFs) trade directly on stock exchanges, allowing anyone with a brokerage account to buy or sell units any time the market is open and operating. An example is the Smartshares Top 10 ETF. The second option is for an investor to invest in unlisted index funds which may be accessed through a manager or a financial adviser platform. For example, Kernel Wealth's NZ20 which tracks the S&P/NZX20 index.

The road to recovery

MOST LIKELY LONG, MOST DEFINITELY WINDING

WRITTEN BY VIGNESH NAIR

THE WIDESPREAD IMPACT OF THE NOVEL CORONAVIRUS IS ALREADY REARING ITS UGLY HEAD IN CORE ECONOMIC METRICS, BRINGING AN END TO THE DECADE LONG BULL MARKET. AN ECONOMIC SLOWDOWN HAS BEEN A LONG TIME COMING, WITH DECLINING PRODUCTIVITY IN THE MONTHS PRECEDING THE OUTBREAK IN WUHAN AND GENERAL BUSINESS CONFIDENCE SLUMPING. EVERYTHING THAT GOES UP, MUST AT ONE POINT OR ANOTHER, COME DOWN; AND THE ECONOMISTS AMONGST YOU WOULD KNOW THAT A RECESSION IS A CORE CHARACTERISTIC OF THE BUSINESS CYCLE. COVID-19 MERELY HIT THE FINAL NAIL IN THE COFFIN. GLOBAL ECONOMIES ARE IN FOR A BUMPY RIDE, AND ANALYSTS HAVE BEEN QUICK TO SPECULATE THE EXTENT AND DURATION OF THE CRISIS. THIS POSES THE QUESTION.

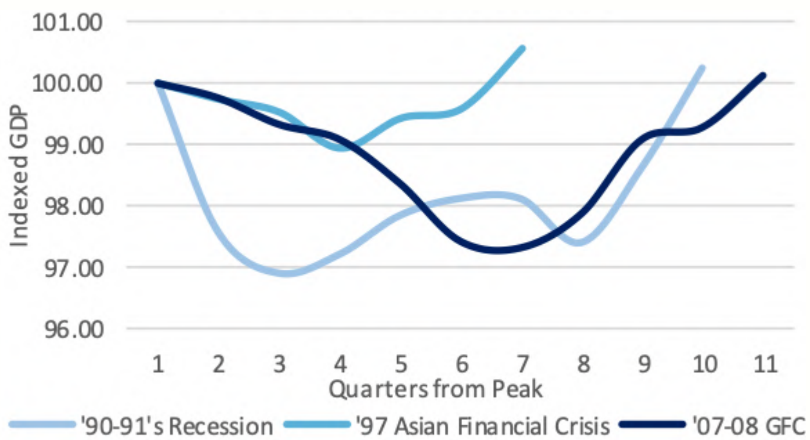
HOW MAY NEW ZEALAND FARE AMID THE TURMOIL? WHAT COULD OUR ROAD TO RECOVERY LOOK LIKE? AND HOW WELL-POSITIONED ARE WE TO GET TO THE END OF THE ROAD?

An economic recovery is a period of the business cycle that follows a recession. During this period GDP growth tends to be positive, generally heading towards lower unemployment, stronger levels of inflation and building momentum for further growth. Given the unprecedented scale of the pandemic, the discussion is around the shape of this recovery. The upside is a "V" shaped recovery curve, or a quick rebound as production resumes at efficient levels and output experiences an immediate uplift to match growing demand. A "U" shaped recovery is a more prolonged trough with a steadier rebound to normality; whilst the worst case is an "L" shaped curve, indicative of a prolonged period of low or stagnant growth reflective of a permanent loss of output. The impact of coronavirus may be assessed through three key channels: demand, supply, and finance. On the demand front, reduced income in the wake of unemployment is likely to result in lower household spending. Analyst expectations suggest that unemployment has the likelihood to hit double digits - up from the 11 year low of 4% in the last quarter of 2019. This is further amplified by negative supply-side shocks, as manufacturing and non-essential businesses experience sudden halts causing supply chain bottlenecks in an ever-connected and interdependent global economy. If left unaddressed, this is likely to flow on into significant secondary effects as factories, retail and luxury industries and labour intensive business suffer from a material loss in production brought about by COVID-19 NPI's (non-pharmaceutical interventions).

To put all this into perspective it is worthwhile looking into New Zealand's historical performance during previous global economic downturns. Analysis of previous downturns suggests that the average annualised amplitude (or depth from peak) of GDP for post-WWII recessions has been -3.8%. This is greater than the average amplitude for a select 21 "advanced" OECD countries of -2.2%. So, it is safe to say, we are just as exposed, if not, more exposed to global economic downturns as other developed countries. Unsurprisingly, New Zealand's average recovery period is 6.6 quarters, measured from trough to peak. An expanded OECD analysis of the same statistic shows that we are below the average recovery duration of 4.3 quarters. However, when considering the strength of the recovery – i.e. the rate at which we regain lost ground – New Zealand sits strongly above the expanded OECD average.

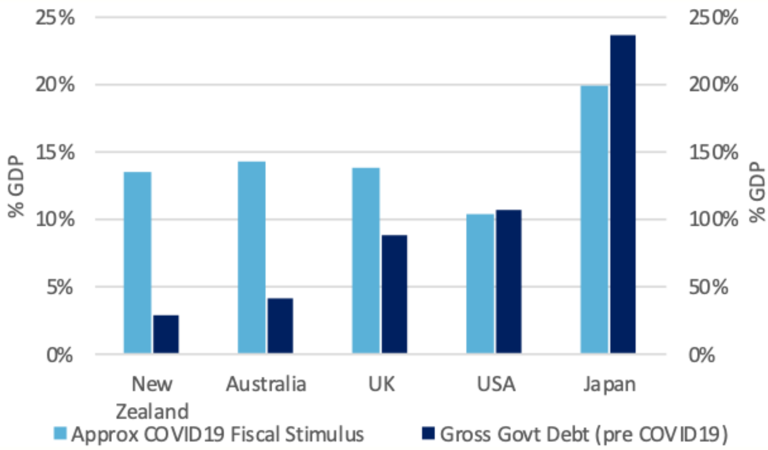
Another crucial difference between this upcoming downturn and crises of the past is in market liquidity, a result of the willingness and ability of central banks to intervene. In 2008 a lack of liquidity in financial markets caused bank runs at an unprecedented scale. This time around, central banks - the RBNZ included - were quick to act, cutting rates by 75bp, temporarily ceasing the introduction of a more rigorous capital requirement regime, and introducing – everyone's favourite – quantitative easing. But was it all required? In 2008, the markets followed economic reality as opposed to leading it. Bear Stearns was bailed out in March and the market collapse began in September. In 2020, we have markets crashing, and in a few days rallying before investors know the full extent of the damage. As a result, central banks and governments were quick to act, oftentimes confusing prudence and haste. Evidently, the market is lacking information.

So, what can we take away from this? I speculate that our GDP on a value added basis can roughly be



evenly attributed to “essential” and “non-essential”. Our key exports of tourism and education will undoubtedly be the most exposed, however, our essential agricultural exports of milk, forestry, and meat provide a necessary cushion on our trade balance. In times of strife, balance sheet strength is crucial and cash is king. We sit in a very fortunate position in terms of government – or net core crown – debt compared to most other OECD countries. As such, the government is in a position to keep the billions flowing for some time to come. Careful and targeted fiscal intervention is most likely the best way to alleviate near term economic distress and to allow markets to correctly price in the impacts of COVID-19.

In sum, this is perhaps the best time for us as a nation, to consolidate our strengths. Being a net importer of qualified labour, I suspect in the coming months we will see a shift to an upskilling of our own as opposed to looking elsewhere. The government educated 4.9 million people about the dangers of this virus and how to minimise damage in a matter of weeks. This is institutional learning on a grand scale and could result in less extreme flu seasons and fewer people contracting diseases in the future. New Zealand has a proven track record of resilience, and we are in an unprecedented path to elimination. The near term damage is all but inevitable and the economy is most definitely in for a bumpy ride, but for us, the road may not be as long as it seems.



Oil, OPEC, and opportunities

WRITTEN BY KYLE QUINDO

I AM A SUCKER FOR COOKIES. I ONLY EAT COOKIES. LET'S SAY IN ONE SITTING, I CAN EAT, AT MOST, 57 COOKIES. HOWEVER, I USUALLY JUST EAT 30, MAYBE 35 BECAUSE OF DIABETES. IN A REGULAR WORLD, I WOULD PAY TO BUY COOKIES FROM SOMEONE (MRS HIGGINS). BUT DAMN, I JUST WENT TO THE DOCTOR AND THEY DIAGNOSED ME WITH DIABETES; GOT TO CUT BACK ON MY COOKIE CONSUMPTION. MRS HIGGINS ON THE OTHER HAND JUST KEPT MAKING COOKIES. IN FACT, THEY MADE MORE! BUT I WASN'T BUYING. I COULDN'T BUY IT. FURTHERMORE, THE EXPIRY ON THE COOKIES THEY WERE MAKING WAS TOMORROW, AND THEY WERE RUNNING OUT OF SPACE TO STORE IT IN THEIR WAREHOUSE.

IT GOT TO THE POINT WHERE THEY WERE PAYING ME TO EAT THE COOKIES JUST SO THEY CAN GET IT OUT OF THE WAREHOUSE.

We experienced something like this in the oil markets for WTI on Tuesday. Traders in their swanky, New York offices who speculate on the price of oil had to sell their positions due to their would-be obligation to take physical delivery of the oil if they were to hold their position.

So the traders just sell their position and move on. Easy right? Not really. Who needs oil right now? No one. Demand for oil has plummeted. In a regular market, there would be a buyer for oil. In this case, no one wanted to buy oil for delivery in the month of May. The problem? Not only do they not have space in their 6th floor Manhattan office to store millions of barrels of oil, but there is also little space in America to store oil.

In desperation, traders were paying people just to take the oil contract off their hands. WTI Crude Oil reached an unprecedented price of -$37, signalling that traders would pay $37 for people to take their oil.

OPEC'S RELEVANCE AND ITS INFLUENCE

The Organisation of Petroleum Exporting Countries (OPEC), a body who controls the supply of Crude oil from 13 member countries, collectively having over 79% of the known oil reserves in the world. Their market share enabled them to effectively control prices by controlling the supply of oil. Their influence over the years, however, has diminished due to the United States increasing their production of oil and taking a larger share of the market.

This dwindling influence was conveyed in the market's muted reaction when OPEC, alongside Russia and America, agreed to an unprecedented 10 million barrel supply cut to stabilise prices. Many regarded this as too little, too late and that the pullback in demand will do little to offset the supply cut OPEC and other countries had tentatively agreed too.

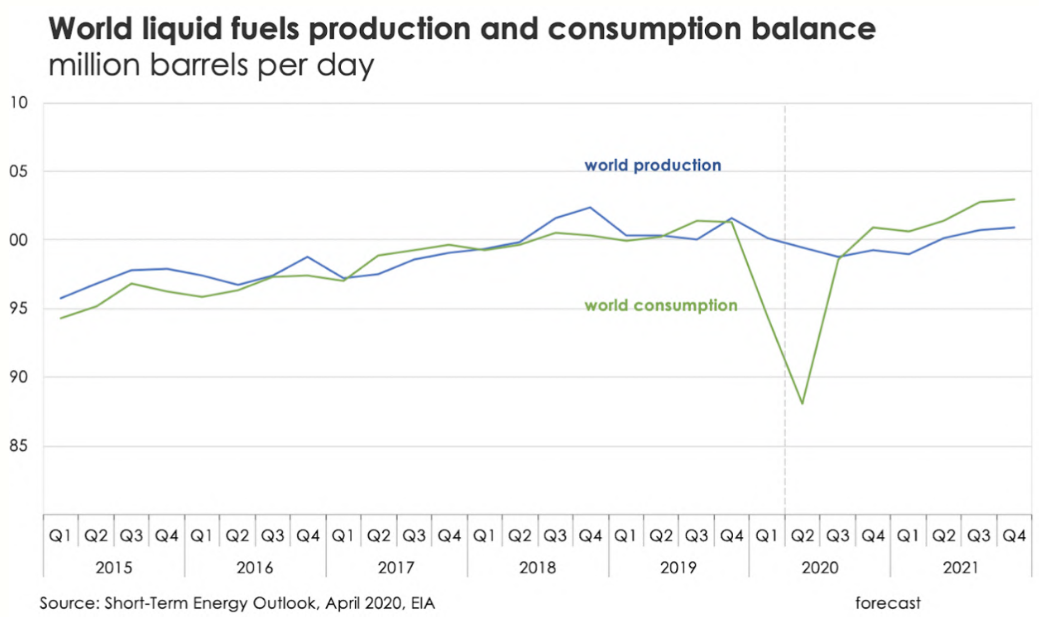
OPEC however, remains a relevant organisation. Although the cuts did little to affect the price of oil, their ability to get global leaders to make coordinated decisions is still nothing to scoff at. Saudi's Energy Minister Prince Abdulaziz bin Salman stated on Bloomberg news, “We have demonstrated that OPEC+ is up, running and alive”. A strong statement, and in my opinion, a valid one at that.

OPPORTUNITIES IN OIL

Tuesday drop was a sight to behold. Investors who were interested in the sector before the drop are undoubtedly steering away from the black gold, and rightfully so. Oil, being a spot asset, is greatly influenced by its supply and demand. Fundamentally, Oil is in a terrible position. Demand is at its lowest, with major countries in lockdown taking billions of oil consumption off the roads, and supply is at an all-time high (see figure below). This gives a breeding ground for events such as what happened on Tuesday. However, some confidence in the commodity is shown, with future contracts to take delivery of oil in November being priced at around $30 per barrel, showing confidence that demand will spur back up, being implicitly optimistic on the conclusion of the coronavirus.

Warren Buffet once said, “Be fearful when everyone is greedy, and be greedy when everyone is fearful”. Oil demand is at an all-time low. However our car’s aren't going to power themselves, our deliveries from The Iconic won’t fly themselves and our containers won’t swim themselves. Eventually, oil demand should return to normal. The keyword here is eventually - when will that be?

Is it time for investors to be greedy on oil?



What to buy during the crisis: Gold?

WRITTEN BY JERRY REN

HISTORICALLY, GOLD HAS BEEN A GOOD ASSET TO HOLD IN A PORTFOLIO DURING TIMES OF CRISIS. ITS MAIN FEATURES, SUCH AS HAVING A LOW CORRELATION WITH THE STOCK MARKET AND STAYING IN LIMITED SUPPLY, MAKE IT SUITABLE FOR INVESTORS WHO ARE LOOKING FOR DIVERSIFICATION AND "FLIGHT TO QUALITY."

Gold has once again become a hot commodity during the COVID-19 pandemic. According to Yahoo, the SPDR Gold Shares GLD are up 8.6% on the year to 08/04/2020, whilst the S&P 500 index is down 17.7% over the same period.

In light of the current situation, it is important to consider whether gold will be a good long-term investment and solid short-term investment soon.

THE HISTORY OF GOLD

In the past, gold has often been used as a currency. From 1870 to 1914, all currencies were backed by gold, which means governments around the world could not print more money without owning more gold, this principle is referred to as the gold standard. From 1945 to 1971, U.S. dollars became the dominant currency around the globe, most currencies were pegged to U.S. dollars, whilst the U.S. dollar was still backed by gold under the Bretton Woods system. After 1971, U.S. dollars were no longer backed by gold; however, even in the post-Bretton Woods era, the gold price is still highly correlated to the currency's value.

THE ROLE OF GOLD

For modern investors, gold is often used as a hedge asset against market downturns and inflation. Empirically speaking, the price of gold has a low correlation with the traditional securities. Put differently, the gold price is less likely to fall with your stocks and bonds. Hence adding gold to the portfolio is an effective way to reduce volatility in portfolio value and achieve a higher Sharpe ratio (excess return per unit risk).

DURING COVID-19

The gold price took a dip in late February 2020, this was unexpected by many investors. There are two reasons for the price drop. Firstly, some institutional investors had to sell off assets to meet the margin requirements (margin call); gold is sold because it is highly liquid. Secondly, the huge oil price drop has led to expectations of deflation; the gold price is positively correlated to the level of inflation. Gold is not a perfect hedging tool. When the market gets caught up in a liquidity spiral, the gold price may drop just like other types of assets.

Another key factor that affects the price of gold is inflation. Unlike paper currencies, there is a fixed amount of gold in the world, making the asset fairly inflation-protected. Thus, the gold price and the CPI index often move in the same direction. After 2008, the price of gold has hiked up to $1800/ounce in reaction to the four rounds of quantitative easing by the Federal Reserve. Quantitative easing is the fancy term for the Fed to print money. If the total output of the economy remains unchanged, then an increase in the overall money supply would lead to a higher price level. The demand for gold increases when people anticipate inflation in the future. The key takeaway here is that the price of gold is correlated to the expectation of inflation.

GOLD VS. THE STOCK MARKET

The figures show the performance of gold and the stock market. It is important to note that owning gold does not provide any interest or dividends, and sometimes there may even be a cost to store it. The S&P500 and gold have had a similar level of return since 1982. However, the stock market significantly outperforms gold if dividends are included and reinvested. The figure shows that during an economic recession (grey columns), the gold price (orange line) is more stable and outperforms the stock market (blue line).

Therefore, if one is a long-term investor, investing in the stock market will generate higher returns over the long-run, but gold tends to outperform during market downturns.

GOLD PRICE PREDICTION

First, review the global financial crisis in 2008. Similar to 2020, the gold price also dropped significantly in 2008. It then rose from $700 to nearly $1900 in the next three years. And just like the 2008 crisis, the Fed has once again announced unprecedented stimulus-based monetary policies to support the economy. The increase in the money supply may lead to inflation or at least the expectation for inflation, and if that is the case, the gold price will most likely rise again.

However, the key factor here is one's view of future inflation. On one hand, the oil price is still at its low point and the virus outbreak will ostensibly decrease the demand for goods and services – hence a drop in prices. On the other hand, an increase in the money supply and a decrease in the supply of goods and services (due to the global lockdowns) will increase the prices. Thus, it is unclear whether the gold price will repeat the trend from 2009 – 2012.

Many different factors can affect the price of gold, such as inflation, market volatility, investor sentiment, and exchange rate. It is difficult to accurately predict the direction of gold in the short-term. However, one thing is certain. Given its low correlation with the other traditional securities, holding some gold in your portfolio will increase diversification and hedge against the inflation risk. In a time like now, gold might be one of those things that can help sail you through the storm.

StockX: The billion-dollar sneaker unicorn

WRITTEN BY SAM JAIN

"SNEAKER RESALE STARTUP STOCKX OFFICIALLY JOINS UNICORN CLUB WITH $1 BILLION VALUATION"- FORBES (2019)

In 2012, Josh Luber, an IBM consultant in NYC (and a sneakerhead since the age of 6) founded Campless. Campless was a unique startup. An online database that tracked market trends and valuations not for property or automobiles, but the rapidly expanding secondary sneaker market. By 2015, Campless had grown rapidly and Luber would spend almost all of his spare hours outside of his job working on the startup.

At the same time, halfway across the country, Dan Gilbert (the billionaire owner of the Cleveland Cavaliers), had noticed that his teenage sons were spending excessive amounts of time searching for sneakers on eBay. The popular online marketplace used an auction system to sell goods, where potential buyers would bid on items and the person with the highest bid at the close of the auction would win. Gilbert thought that this system was outdated and that the aggregated buy/sell mechanics of a stock market created far more transparency and led to significantly greater efficiency. Gilbert debated his idea of a stock market for consumer goods to Greg Schwartz who was a business associate. Schwartz was eventually won over; however, he was surprised to learn that the firstgood that Gilbert was going to attempt this in was in fact....sneakers.

Being impressed with the success of Campless, Gilbert and Schwartz contacted Luber and invited him to a Cavaliers game. Luber pitched some of his visions for Campless including his ideas for users to be able to create sneaker portfolios. Awestruck by this, they immediately joined hands with Luber and Cashless was acquired by the duo. After months of development, StockX launched in February 2016 with Gilbert, Schartz and Luber as co-founders.

StockX is an online secondary

marketplace that links buyers and sellers of unworn sneakers in an integrated stock-market style system. Much like any other stock market, buyers in StockX can place “limit buys” orders at whatever price they choose. Whilst also retaining the ability to modify orders at will. Similarly, sellers can modify their asking price based on market conditions. On StockX, we can see prices of sneakers change regularly, as the market determines the value. When an order is confirmed, the sneakers are sent to StockX who verify the sneakers are both legitimate and unworn. StockX then forwards the shoes onto the buyer and transfers the funds to the seller. Stock X makes income by charging sellers a small percentage from sales (roughly 12.5%) and charging new users a minor transaction fee. The value that StockX provides to the market is that it serves as a trusted intermediary, not only facilitating the transactions but also maintaining the integrity of the market. For many years, the sneaker market was plagued by replica sneakers. Some of these fakes were extremely well made, making it incredibly difficult for consumers to verify whether a $4000 pair of limited-edition Air Jordan’s were, in fact, the real thing. StockX addresses this issue with their quality control checks; ridding consumers of their fear. Recently, StockX has also expanded its unique business model into the markets for watches, handbags, streetwear and even niche collectables like trading cards. Stock X processed upwards of $US1Billion worth of merchandise last year.

Sneakers still make up 75% of the transactions on StockX, and it is in this market that they are facing increasingly tight competition in the US. Other online marketplaces like GOAT and Flight Club are growing in size and are offering similar verification services. Yet StockX seems to be holding strong, with the company CEO Scott Cutler highlighting how the company is seeing heavy traffic even during the COVID-19 crisis. Cutler is also confident in the long term prospects of the company, citing how StockX is expanding globally with a particular focus on European markets..

I need a dollar

WRITTEN BY TIM CROSS

"I NEED A DOLLAR, DOLLAR, A DOLLAR IS WHAT I NEED. HEY HEY." - ALOE BLACC

THIS LABOUR GOVERNMENT HAS DONE A LOT FOR TERTIARY STUDENTS. I'M VERY GRATEFUL FOR BEING ABLE TO RECEIVE FIRST-YEAR FREE - IT HAS CONSIDERABLY EASED THE FINANCIAL PRESSURE OF MY FIRST YEAR OF TERTIARY STUDY. THAT IS WHY IT CAME AS A GREAT SURPRISE TO MANY STUDENTS, INCLUDING MYSELF WHEN THE GOVERNMENT ANNOUNCED THAT STUDENTS WILL BE ABLE TO BORROW UP TO $2,000, AN INCREASE FROM $1,000 FOR COURSE-RELATED COSTS.

Jacinda Ardern has said, "Everything I've ever thought about doing has been in some sense, about helping people." I'm not quite sure how enabling a debt-laden section of society to take on more debt involves "helping people." Ever since 2005, domestic enrolment in tertiary studies has declined, however over that same period student debt has skyrocketed (NZ Herald). Even though the numbers of tertiary students has declined over the years, total student debt levels continue to rise. These statistics have been particularly influenced by higher living costs and increased course costs. Given that students are facing financial difficulty, it seems unfair that students have received no financial help from the government other than the fact that we will be able to increase our debt.

The student tertiary package does not directly help students affected by CoVID-19. This is shown as the package only entitles students to borrow up to $2,000 for course-related costs. It is worrying that students who have lost jobs or are struggling for work are unable to use the extra $1,000 from this package to cover living costs. By spending this money on accommodation or food, students would be committing fraud. Minor amendments need to be made to the student support package so that students who are affected by CoVID-19 are legally able to spend this extra allowance on essentials.

The government seems to have forgotten that all aspects of student life are now considerably harder. For example, a friend of mine has to drive 20 minutes from her home in rural Canterbury into Christchurch just so that she can access decent internet to download her lectures. Over this time, she is still expected to pay for her first year in halls, which she is unable to stay in, and must now pay fuel and huge data costs just so that she can continue with her studies. On top of this getting to and attending university is a lot harder. I live in Christchurch but am completing my studies in Auckland. Air New Zealand announced yesterday that they had just 175 passengers flying aboard 14 flights. I am really worried about how I am going to get back to university. I booked my flights home from mid-semester break for $35. This is because there were lots of flights available and Air New Zealand had lots of specials. However, with such a low supply of flights now, prices for these flights will be expensive and getting a seat will be increasingly difficult. It could be weeks, even after level two is announced before I can move back into the halls.

Students are also heavily impacted by coronavirus financially. A lot of the jobs that students have worked are now drying up. Take the supermarket industry. This was normally one that students worked in, as it provided easy cash with relatively flexible hours. However, all of a sudden there has been an influx of job applications. For example, Countdown has had over 25,000 job applications in the last month. In an article published by Radio New Zealand, a former airline pilot is now stacking shelves. Student jobs are evaporating at a rapid rate and many students will struggle to find work now and in the holiday periods. Further emphasising how impactful COVID-19 is on students. It is pivotal that the government steps in to ensure students will be fiscally-sound before and after COVID-19.

With the current economic slowdown, businesses will be forced to cut costs. Statistics New Zealand found that during the Global Financial Crisis, the "average earnings of students one year after they graduate and average post-study incomes fell strongly." Graduate unemployment over this time period increased from 2.3% in 2007 up to 3.7% in 2010, a remarkable 60% increase. This occurred because there were fewer jobs available, as companies cut costs and graduate roles. Larger companies reduced their spending on R&D, whilst SME's struggled to stay afloat due to a slowdown in consumer spending. As a result, it is vital the government learns from the GFC and makes changes to keep student debt levels manageable. Students who graduate during a recession have to settle for lower-paying jobs at long-lasting effects on individuals and the economy as a whole. As outlined above, students will battle higher unemployment rates and lower wages, resulting in sustained scarring at the inception of their careers. It is important the government recognises the effect that economic scarring will have on students who graduate during this slowdown. It is vital these students receive their fair share of financial help so they are able to repay their loans.

Businesses have received a wage subsidy totalling over $8 billion dollars and beneficiaries have received a generous new package to the tune of $2.4 billion dollars. This Labour government has been extremely generous with the various grants and benefits it has provided. This support package has totalled over $12 billion and is vital to keeping our economy afloat. Yet how will these enormous loans be repaid? Us students will be forced to pay back these loans. It is time students received their fair share of financial help.

When Aloe Blacc was made redundant from his job as a consultant at Ernst and Young due to the Global Financial Crisis in 2008, he sang, "I need a dollar, dollar, a dollar is what I need. Hey Hey." Students nationwide are now singing "I need a dollar, dollar, a dollar is what I need.''

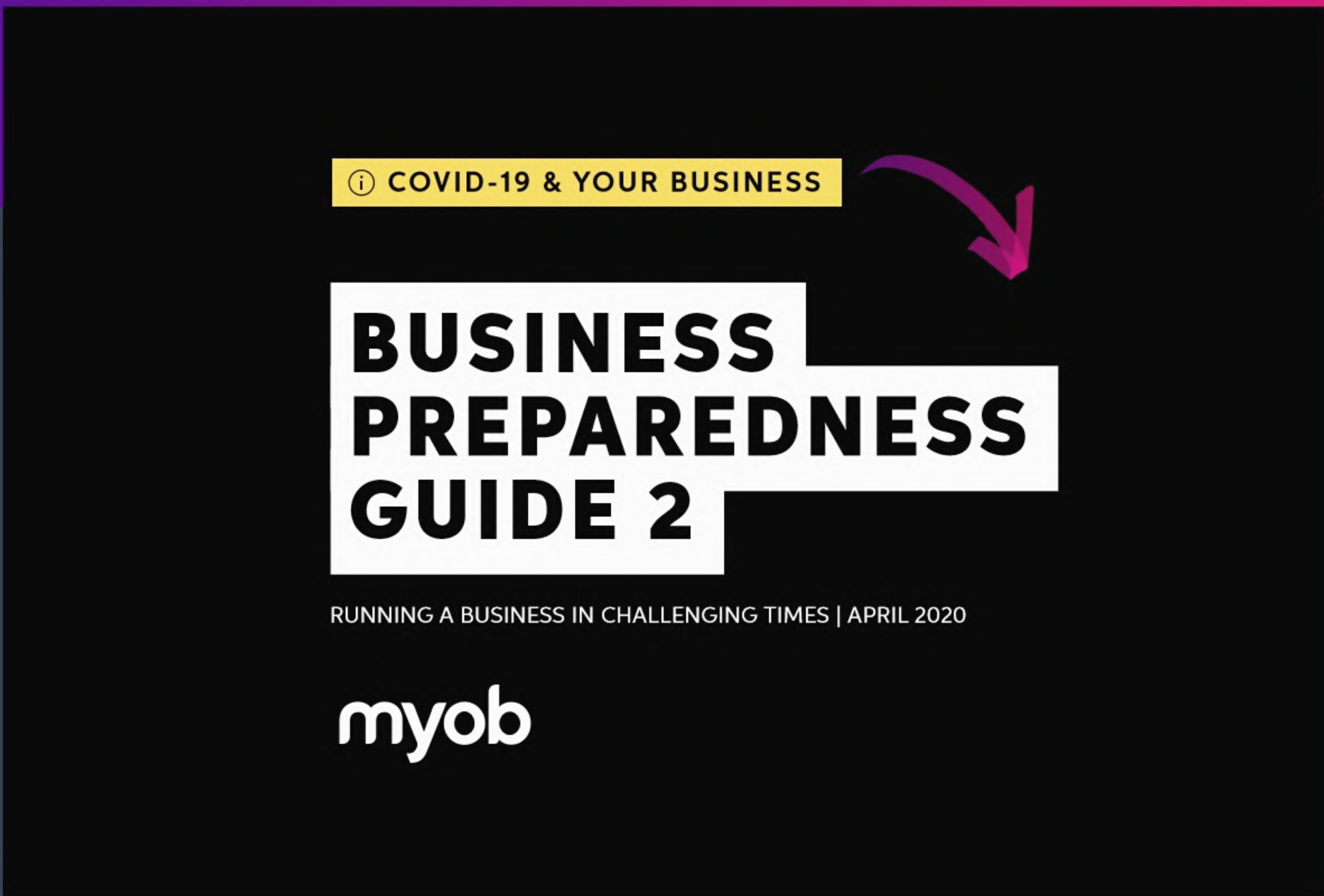
MYOB's column

BUSINESS PREPAREDNESS GUIDE: RUNNING A BUSINESS IN CHALLENGING TIMES

It is our belief that SMEs in this country are a powerful force for positive change. They are not only the employers and earners; they are the dynamic drivers of change; the inspirers; the thinkers and the doers.

We believe it is vital for our economy that the SME sector is as protected and supported as it can be in the weeks and months ahead. Which is why our focus is on sharing information, starting conversations and reaching out to provide support to help businesses start, survive and grow.

Read Part Two of MYOB's Business Preparedness Guide here

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