

## The 2017 economic environment in New Zealand

*The political and economic climate of any country has a direct impact on all our lives, and on just about all aspects of our lives. Sadly I am not aware of anyone precisely working out the magic formula for how to accurately "read the tea leaves". But no matter what, it is worth pondering our current situation in New Zealand and how this may impact us and our decision making for organisations we may be involved with.*

### A view from afar

Having just recently been to an international audit and assurance standards setting forum based in Paris I was fortunate to have the opportunity of looking at NZ from outside. I got to present on matters and issues within NZ as well as mixing with others from many different parts of the world and partaking in numerous conversations about their issues, challenges and the fascinating geo-politics of the world at present. Such an event provides one the luxury of getting some perspective on our NZ domestic situation from afar. The classic helicopter view.

This objective perspective is also helped by the sometimes surprisingly high level of interest in New Zealand. This is also an observation that I have had at previous international events where the level of interest shown in New Zealand reinforces the view that as a country of relatively small size, we punch well above our weight as a global citizen. That and the view that we as a country seem to be considered an "interesting experiment" by many of our international counterparts.

### **"We don't know how lucky we are mate"**

From an international perspective, what undeniably struck me was the overall positivity of our NZ situation. Many people within NZ do know, and appreciate, this. Although if you turn on talkback radio you may come to the conclusion that you have landed in an alternative reality! And before this previous statement sends some into fits of rage and apoplexy, I am not denying that we have many social, economic, and environmental issues to confront and address.

Sure everything is not perfect, and while looking economically; 3-4% GDP growth with an unemployment rate of 5.2% may not seem like stellar economic statistics to some. But compare us to most other OECD nations and we undoubtedly remain a shining star. Our current growth rate and medium term forecasts as a country according to our new Minister of Finance in a recent address puts us at the 4th fastest growing economy in the developed world.

We also produce things the world wants and is willing to pay for. Dairy and agricultural products, even if we are subject to international demand and price variability, forestry, even if we could do more to add value to the logs we ship, and a beautiful and interesting country that tourists want to come and visit.

I am however also aware that many people, especially in the NFP/Charity sector, react somewhat negatively to economic growth being touted as a positive indicator, and instead are more concerned with other measures of wellbeing of a country and its communities.

Hence perhaps as importantly, if not more importantly, I was also very struck comparatively by just how fortunate we are in New Zealand in having safe and stable:

- National security
- Food supply
- Water supply
- Power supply

- A relatively benign climate
- Government and rule of law

Yes, things like housing in some areas is comparatively expensive, and for anyone who has driven on Auckland roads, especially in the rain lately, we obviously have some infrastructure challenges. But the reality is that these are first world problems and are fundamentally a function of our country's positive growth, success, and ongoing desirability.

If you have to go looking for what is not safe and stable in a NZ context you would probably come up with the following:

1. The earth physically shaking and other natural disasters such as fires (Gosh you have to feel so sorry for the Christchurch region...surely they deserve a break! Thoughts with you all down there). But the reality is that these are Acts of God outside anyone's control.
2. Impacts on NZ trade from potential overseas ructions such as Brexit, the Trump administration, resulting trade restrictions, as well as potential military actions and their wider flow-on impacts.

In addition, one can never underestimate the potential disruptive impact of our three yearly political election cycle. (Oh, for a four yearly cycle!) Hence we get to look forward to all the political manoeuvring and theatrics, and what many consider to be highly frustrating (& boring?) off the ball activity that we will be subjected to leading up to this year's September election.

## Implications for New Zealand

1. A stable and growing economy. Therefore business success resulting in potential for business support for the NFP and charitable sector.
2. A highly employed, and therefore earning, workforce - New Zealand now has over 2.5m people employed - its highest ever.
3. Real wages growing at twice the rate of inflation. Admittedly inflation is low but this is still a very positive indicator and has a significant implication on the wealth of the population.
4. A strong taxation take for the Government allowing it more flexibility to reduce debt, invest and to address societal and national infrastructure issues.

Interestingly, this list of key implications is equally positive for both the economy as well as the NFP/Charitable sector.

## And let's not forget the impact of immigration...

There is no doubt that New Zealand is a desirable destination for people from many other parts of the world. While everything is not perfect here, on a comparative basis to many parts of the world I am reminded of that lovely perspective line: **"Our challenges are someone else's dreams"**. But immigration does have an impact. The introduction and integration, or not, of different cultures and different ways of doing things. As I read in a recent NBR article; **"Any sudden influx of foreigners can cause profound discombobulation."** According to the Department of Statistics, 2016 saw net migration into NZ of just under 70,000 people.

From an economic standpoint, immigration is normally net positive for any country as immigrants need to establish themselves as regards living & working. This involves the introduction of new spending and skills, and often investment that is injected into the economy.

Now translate that into our NFP and Charitable sector and one can easily see potentially new and greater needs for assistance for some sectors of immigrants. On the flip side we are also presented with new and interesting opportunities for fundraising and organisation or cause "friend-raising". But importantly for this to be successful it will take greater understanding of the cultures where these immigrants came from. And then applying this culturally specific knowledge and targeting some specific approaches to particular groups.

## Parting thought

We live in interesting times, of that there is no doubt. But as much as we may be motivated by our daily trials to complain about certain things we also need to remember to be grateful. We live in a beautiful country with an abundance of positive features and opportunities.

Yours positively,

The RSM team



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