

23 November 2010

Media statement

Embargoed: not for publication before 9pm on Tuesday 23 November 2010

Increased savings a critical issue for New Zealand

Shifting the structure of the New Zealand economy towards exports and savings, and lifting productivity, especially in the government sector, are critical issues for New Zealand.

Savings Working Group Chairman Kerry McDonald said in a speech to the Taihape Rotary Club tonight that economic growth had been skewed towards the non-tradeable areas of the economy over the past decade, while output and employment had actually declined from the middle of the decade in the vital export sectors of manufacturing and agriculture. This had contributed balance of payments deficits that are unsustainably large, and to a step increase in New Zealand's net foreign liabilities – which are mainly debt rather than equity investments in New Zealand.

Also, over the past decade New Zealand's productivity growth halved and, again, the performance of the non-tradeable sector was particularly unsatisfactory.

Mr McDonald highlighted a number of other adverse trends through the decade, including the rapid growth in credit and the consequent bubble growth in house and farm prices.

He emphasised that as a result of these adverse developments the New Zealand economy was now in a vulnerable and unsustainable position and that corrective measures were likely to be challenging.

Recently there has been a sharp rise in household savings, mainly in response to the depressed economic conditions, but what was needed was an increase in national savings in order to help create the right conditions for a long term structural shift in the economy.

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www.treasury.govt.nz/publications/reviews-consultation/savingsworkinggroup

Further information:

The Savings Working Group consists of independent members (Chair plus six members) convened to provide a report to the Minister of Finance. The Savings Working Group aims to:

- provide a point of reference for the Government as it develops its medium-term savings strategies; and
- stimulate a public discussion on issues of national saving in the New Zealand economy, linking this discussion to investment and growth.

The Chair and Savings Working Group have secretariat support provided by The Treasury.