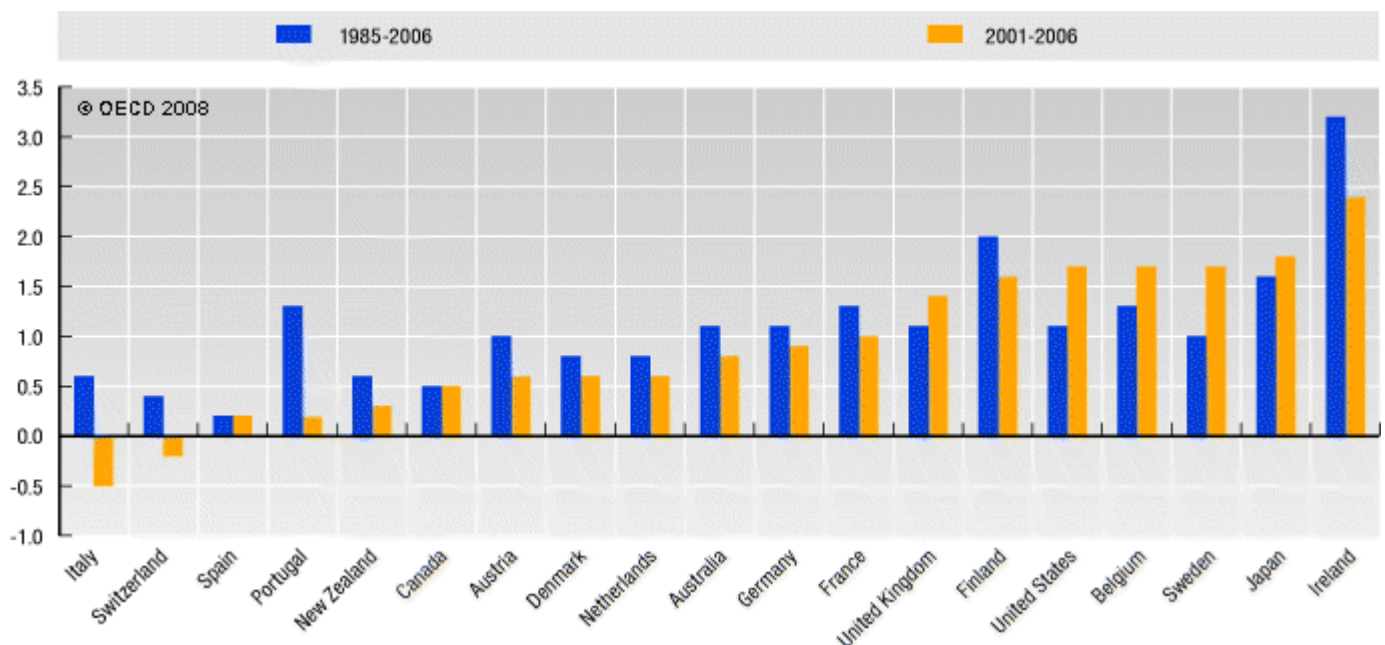


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## NZ's productivity lags behind

Figures released by Statistics New Zealand this morning showed that New Zealand's Multifactor Productivity (MFP) had grown by an average of only 0.6 percent since 2000. The New Zealand Manufacturers and Exporters Association (NZMEA) say that this performance is pitiful, but is not surprising given our economic framework.

NZMEA Chief Executive John Walley says, "The lack of growth in productivity is a manifestation of a deeply distorted economy. With the removal of the Research and Development (R&D) tax credit there is now little incentive to develop innovative and productive new products. In fact, activity is overtaxed while investment in unproductive assets is incentivised instead through the lack of a Capital Gains Tax."



The OECD table shows the extent to which New Zealand's productivity lags behind our competitors.

"To turn this around we need to see an economy focused on adding maximum value to our activity," says Mr. Walley. "This means transforming primary goods into ready to consume products and encouraging more innovation in everything we do. To recover the cost of innovation we must sell to the global market. Returns are just too small from the domestic market in New Zealand."

"To invest more, to grow more, exporters need: price stability<sup>i</sup>, a balanced taxation system<sup>ii</sup>, and targeted tax support<sup>iii</sup> equal to or better than that provided to their competitors in other jurisdictions."

"New Zealand prides itself on being a naturally innovative place so why not encourage and reward our firms for their commitment to innovation?"

<sup>i</sup> 'Monetary Policy and Productivity', <http://www.mea.org.nz/document.ashx?id=482>

<sup>ii</sup> 'Asset Tax and Productivity', <http://www.mea.org.nz/document.ashx?id=442>

<sup>iii</sup> 'Research and Development', <http://www.mea.org.nz/document.ashx?id=411>