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Budget – spending cuts yes, but what about growth?

The budget released today contains little in terms of changes to support any real economic development says the New Zealand Manufacturers and Exporters Association (NZMEA). There was some tinkering around the edges with some new funding allocated, but no attempt has been made to tackle the fundamental imbalances in our economic framework.

NZMEA Chief Executive John Walley says, “The budget made some attempt to curtail Government spending, but there is no provision to promote real economic growth.”

“The reasons we have been in a recession for a year are clear. Our tax system promotes asset bubbles rather than productive activity and our monetary policy framework creates overvalued exchange rates and high interest rates. Neither of these problems have been addressed.”

“Incentives to invest in Research and Development and productive assets such as equipment and machinery are lacking. The Research and Development Tax Credit was cancelled to fund tax cuts elsewhere; every other developed nation recognises the economic leverage of encouraging firms to invest in development and new technology, our Government should follow suit.”

“Initiatives such as the Tax Working Group set up to review our tax framework offer some hope that we may see some changes, but progress is much too slow. If we are to see more investment in export activity the continued cycle of overvalued exchange rates and high interest rates must come to an end.”