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MEActive - May 2011

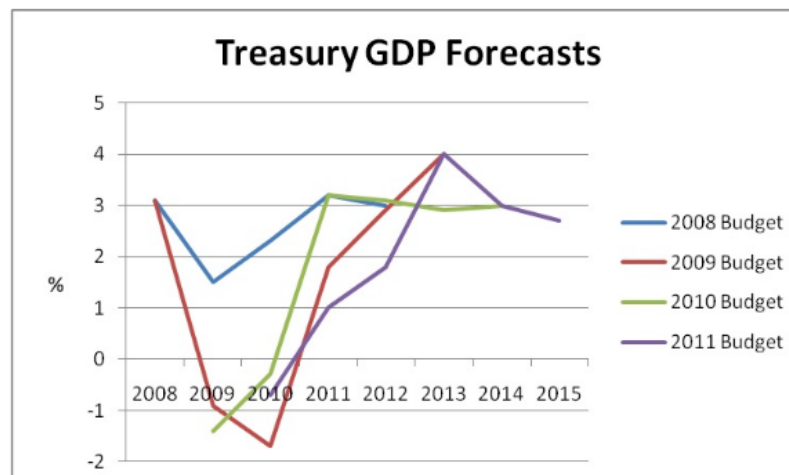
Welcome to the New Zealand Manufacturers and Exporters Association's monthly e-news, giving a series of updates on what we have been working on to make things better for manufacturers and exporters.

- [CEO Comment](#).
- [Media Coverage](#) - Where we have been reported over the past month.
- [Media Releases](#) - Circulated to all media by the NZMEA.
- [Upcoming Events](#).
- [NZMEA Survey of Business Conditions](#).

CEO Comment: Budget Forecasts Aggressive Growth But Still No Policy to Get There

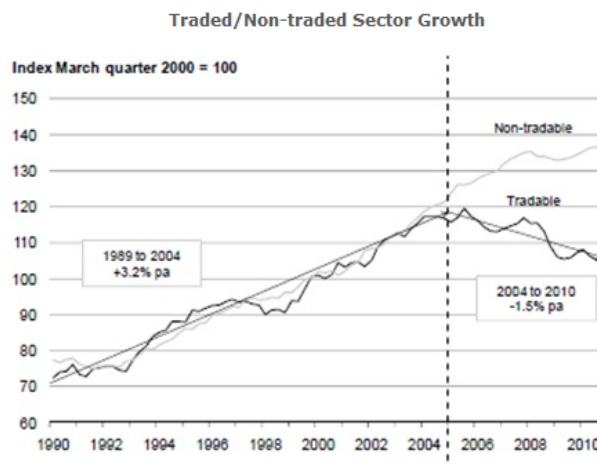
The 2011 Budget was one of a surprising lack of urgency and a demonstration that Government really does not understand, or is choosing to ignore, the magnitude of what faces us. There was little to generate more growth or to capture more gains for New Zealand and the cuts were underwhelming. The biggest problem with the Budget was that there was yet again no shift in the emphasis of our economy towards the tradable sector. Without a major shift to tradeables, and more cuts in spending, we will be forced to borrow more and risk the destructive impact of the increasing cost of credit as the world increasingly worries about lending to New Zealand.

The Government's approach was backed by numbers from the Treasury showing strong growth over the next few years. The problem is the Treasury has been predicting this for a while now.



Each Budget the 'growth rebound' gets pushed out by another year. This puts the Government's 2011 Budget on shaky ground. If the economy grows as forecast then public debt remains sustainable, but if we see another year or two of low growth then New Zealand's Government debt could blow out to Ireland and Greece levels, and New Zealand's borrowing costs will compound the problem.

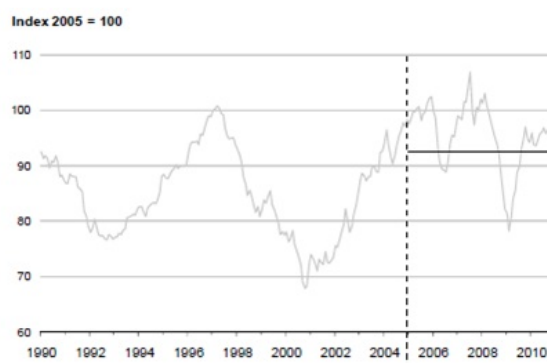
The graph below from the Budget shows that the tradable sector has contracted since 2005.



Budget 2011

This changes the outlook for growth as there is unlikely to be much export pick up with the exchange rate where it is at the moment.

Real Exchange Rate Index



Budget 2011

Real GDP numbers have slumped as a sustained high currency level has taken its toll.

This leaves the question how can growth in the tradable sector be restored? The allocation of an earthquake fund and the changes to foreign bank taxation will deliver some benefits, but reducing incentives to save seems to act against the Government's stated intentions. The partial asset sales of Solid Energy and Air New Zealand will also help but the sale of natural monopolies is more debatable. In any case the \$5 to 7 billion quoted is fairly immaterial against GDP over the forecast period.

To achieve higher growth the Government needs to:

- do what is necessary to stabilise and lower the New Zealand dollar;
- reform the tax system to promote investment in the tradable sector over speculative investment in land and buildings; and
- introduce productive investment incentives.

Much more effort in these three areas would start to address New Zealand's economic underperformance. The OECD, the IMF and the Government's own working groups have agreed that a step change in policy is needed; tinkering will not get the job done.

Media Coverage

Where the NZMEA was reported during April.

2 April	The Press	Forging Ahead. <i>Newspaper.</i>
7 April	Scoop.co.nz	IMF Supports Capital Controls. <i>Internet.</i>
8 April	Scoop.co.nz	Sales Drop After Earthquake But Forecasts Hold Up. <i>Internet.</i>
8 April	The Press	Exporters Pessimistic as Quake Saps Offshore Sales. <i>Newspaper.</i>
8 April	NZ Herald	Christchurch Earthquake Saps Offshore Sales. <i>Newspaper.</i>
9 April	Radio NZ	Pessimism Among Exporters. <i>Radio.</i>
12 April	Engineeringnews.co.nz	Sales Drop After Earthquake But Forecasts Hold Up. <i>Internet.</i>
13 April	Engineering News	Resilience: Manufacturing After the Earthquake. <i>Magazine.</i>
15 April	Scoop.co.nz	Christchurch Manufacturers Bent But Not Broken!. <i>Internet.</i>
15 April	Stuff.co.nz	Insurers Moving Too Slow, Say Christchurch Firms. <i>Internet.</i>
15 April	Otago Daily Times	Fast Action Wanted on Work Permits. <i>Internet.</i>
15 April	Yahooextra.co.nz	Fast Action Wanted on Work Permits. <i>Internet.</i>
15 April	3news.co.nz	Fast Action Wanted on Christchurch Work Permits. <i>Internet.</i>
16 April	NZ Herald	Christchurch Getting Back on its Feet. <i>Newspaper.</i>
16 April	The Press	'Speed of Essence' in Getting Heart Back. <i>Newspaper.</i>
18 April	Radio NZ	IMF Move on Currency Flows Welcomed by New Zealand. <i>Radio.</i>
19 April	Interest.co.nz	Labour Would Look at Allowing RBNZ to Control Mortgage Loan to Value Ratios to Curb Price Pressures, Leader Goff Says. <i>Internet.</i>
19 April	Scoop.co.nz	New Zealand Faces Crisis in Skills Shortage. <i>Internet.</i>
26 April	NZmanufacturer.co.nz	Bent But Not Broken! <i>Internet.</i>
29 April	Scoop.co.nz	Export Growth Ignored Again. <i>Internet.</i>
29 April	Interest.co.nz	New Zealand Manufacturers and Exporters Association Attacks Reserve Bank's 'Soft' Stance on High New Zealand Dollar. <i>Internet.</i>

Media Releases

Media releases submitted by the NZMEA during April. [Click here](#) to read the latest media releases.

7 April	IMF Supports Capital Controls.
13 April	Post Earthquake Survey - Bent But Not Broken!
29 April	Export Growth Ignored Again.

Upcoming Events

[Click here](#) for information and to register for our upcoming events.

26 May	Forum: Product Design and Developing Brand Aesthetics - Christchurch.
30 May	2011 Presidents Cocktail Function - Auckland.
7 June	Forum: Risk Management in Lean Manufacturing - Christchurch.
8 June	Workshop: Determine and Improve Process Capibility for a Competitive Manufacturing Organisation - Auckland.
14 June	Workshop: Value Added Negotiation - Christchurch.
14 June	Workshop: Develop Quick Changeover Procedures in a Competitive Manufacturing Organisation - Christchurch.
20 June	Auckland: NZMEA Council & CEO Forum

Please note: To assist our Christchurch members during this difficult time Forums will be free to attend for the rest of May and June 2011.

Representation: Your views having a platform, face to face with politicians, documented in submissions and discussed in any number of different gatherings.