

Putting things in context

presentation to Central Region Employment Summit

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Dr Ganesh Nana

Chief Economist

Editor, BERL Forecasts

Business and Economic Research Ltd



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Credit crunch/crisis - events

2005/06/07	default rates on sup-prime loans in US rise to record levels
Aug 2007	BNP Paribas reports inability to access liquidity
Sep 2007	Northern Rock calls for help from BoE
Oct 2007	UBS losses total US\$3.4bn; Citigroup writes off US\$8bn; losses total US\$40bn
Mar 2008	Bear Sterns brought by JP Morgan Chase for US\$240m
Apr 2008	RBS writes off £5.9bn

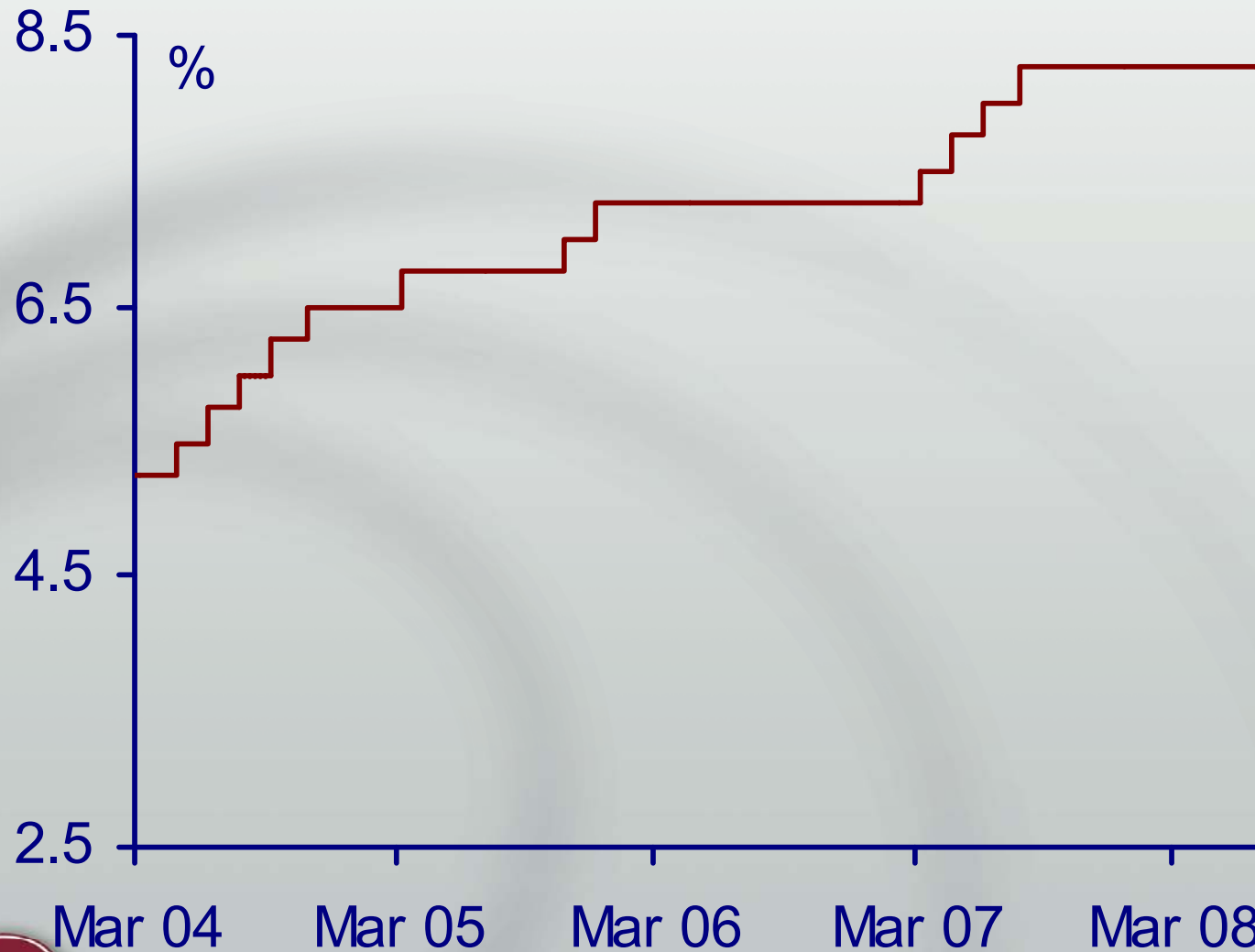
The recession

RB *Monetary Policy Statement* June 2008

March years	2008	2009	2010	2011
GDP production	3.1	0.9	1.4	2.5
Employment	-0.2	-0.2	-0.4	0.0

“The length of the downturn is in part required to keep medium-term inflation under control”

NZ OCR



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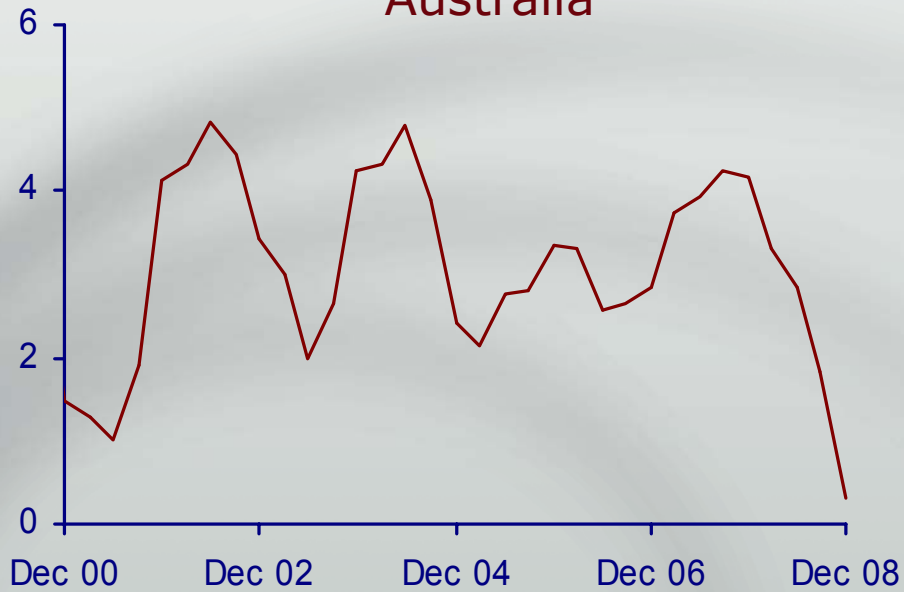
Credit crisis - events (2)

- Sep 2008
- Fannie Mae and Freddie Mac bailed out
 - Lehman Brothers bankruptcy
 - BoA buys Merrill Lynch
 - AIG bailed out
 - Fortis nationalised
 - US Congress rejects US\$700bn package
 - Iceland banks in trouble
 - Citigroup buys Wachovia
- Oct 2008
- US package approved
 - RBS, Lloyds TSB and HBOS bailed out

Real GDP

annual % change

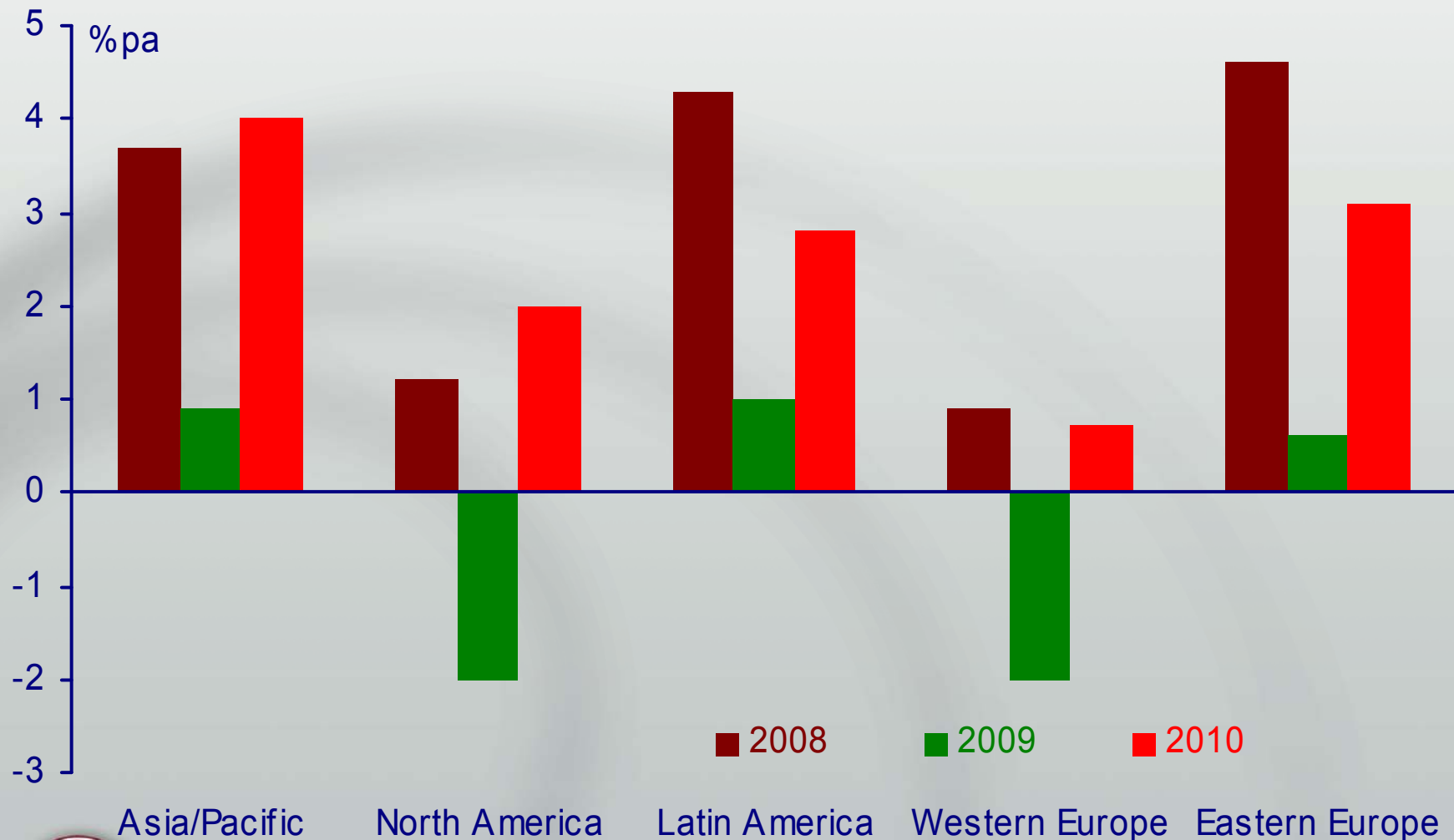
Australia



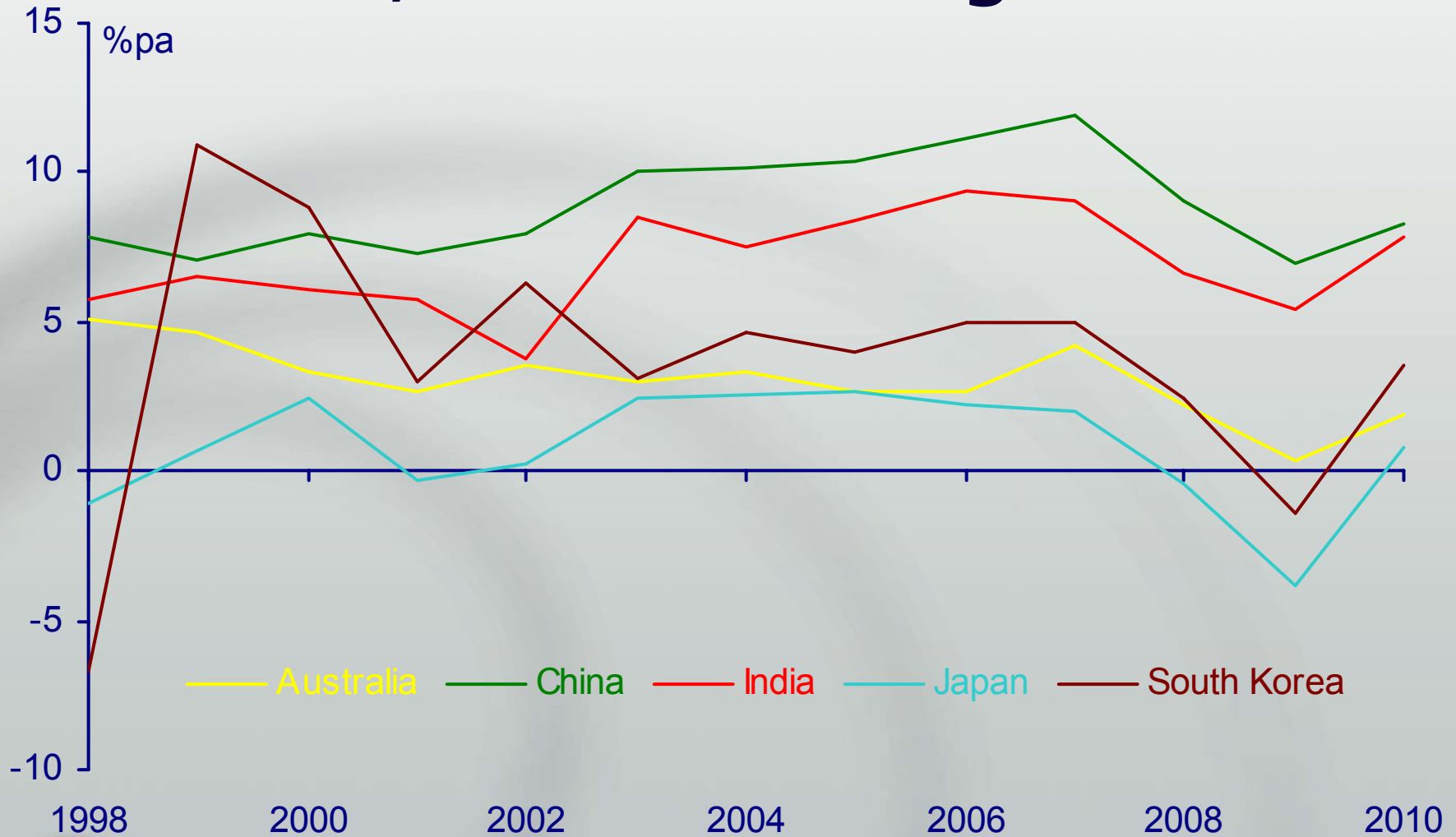
USA



GDP growth estimates & forecasts

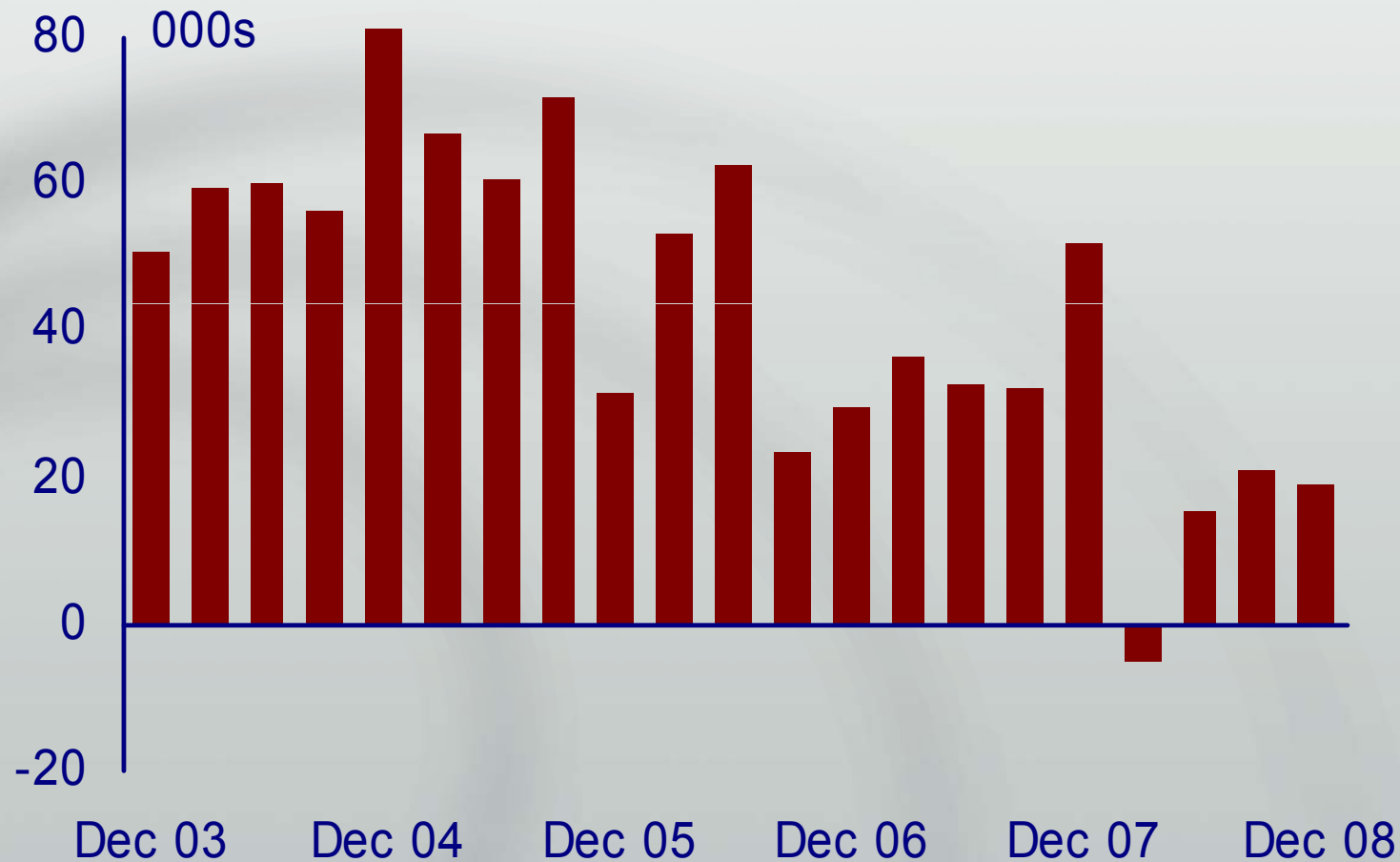


Asia/Pacific GDP growth



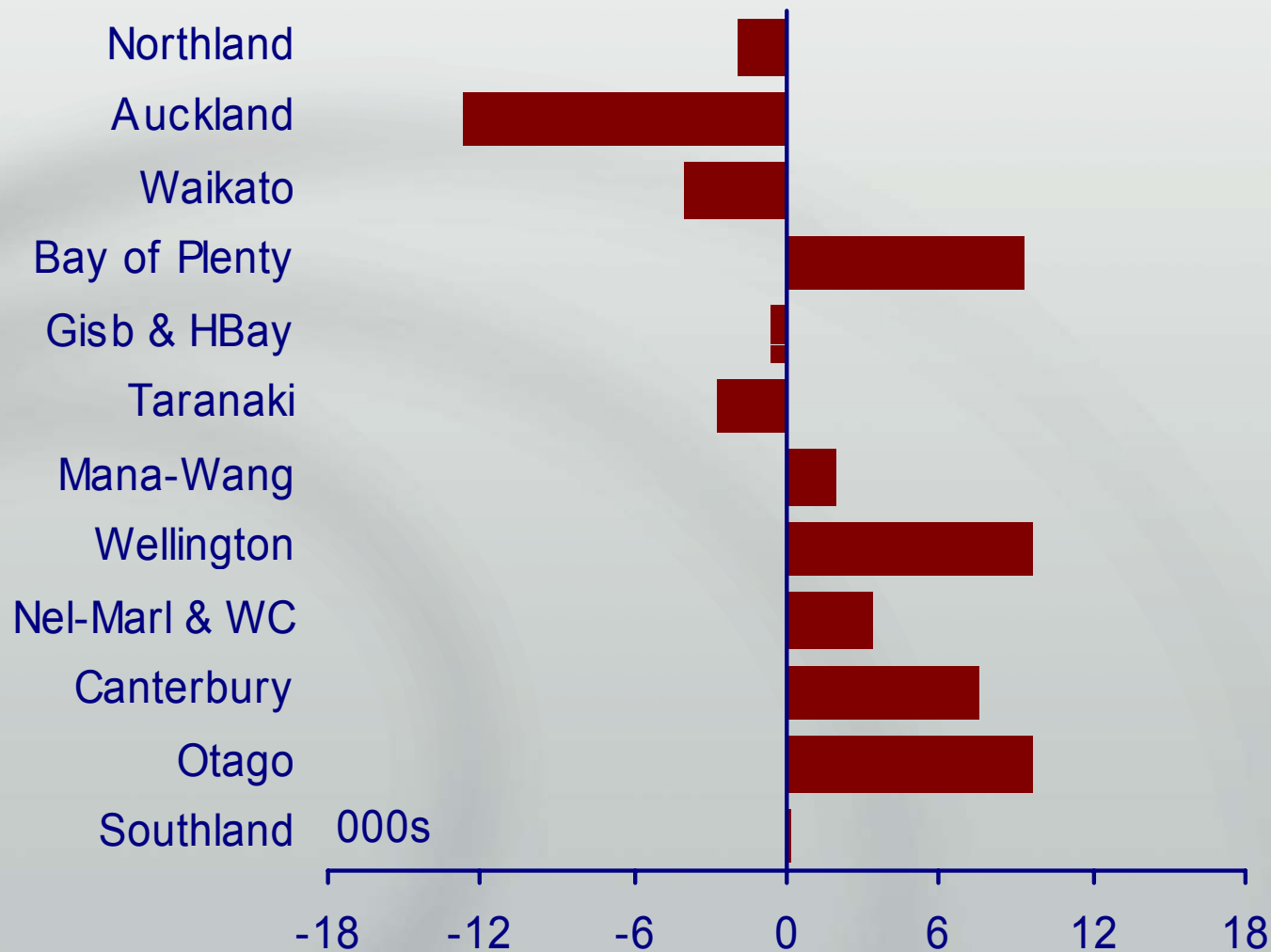
Employment growth

annual change



Employment growth

Dec 08 cf Dec 07

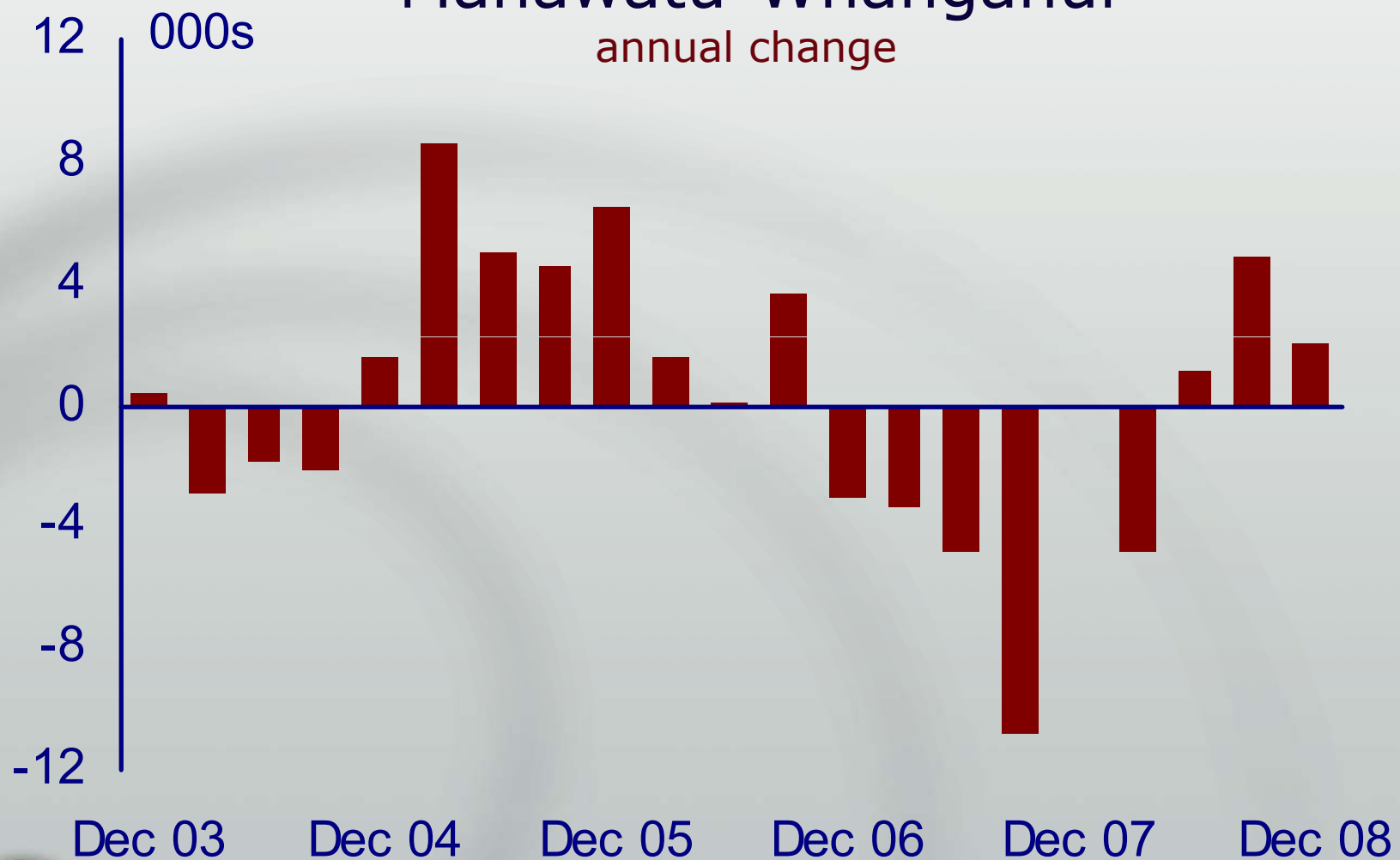


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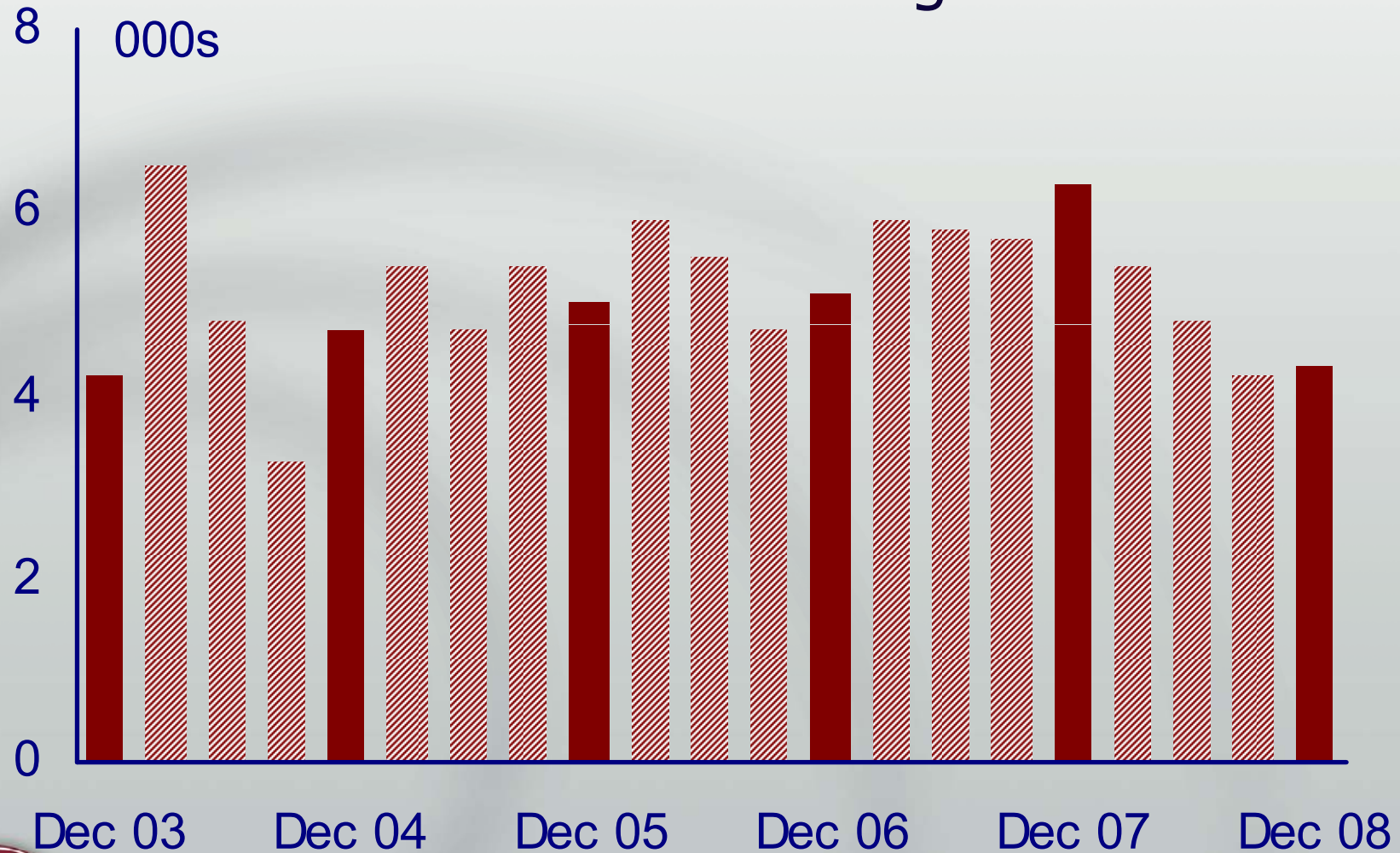
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Employment growth Manawatu-Whanganui



Official unemployment Manawatu-Whanganui



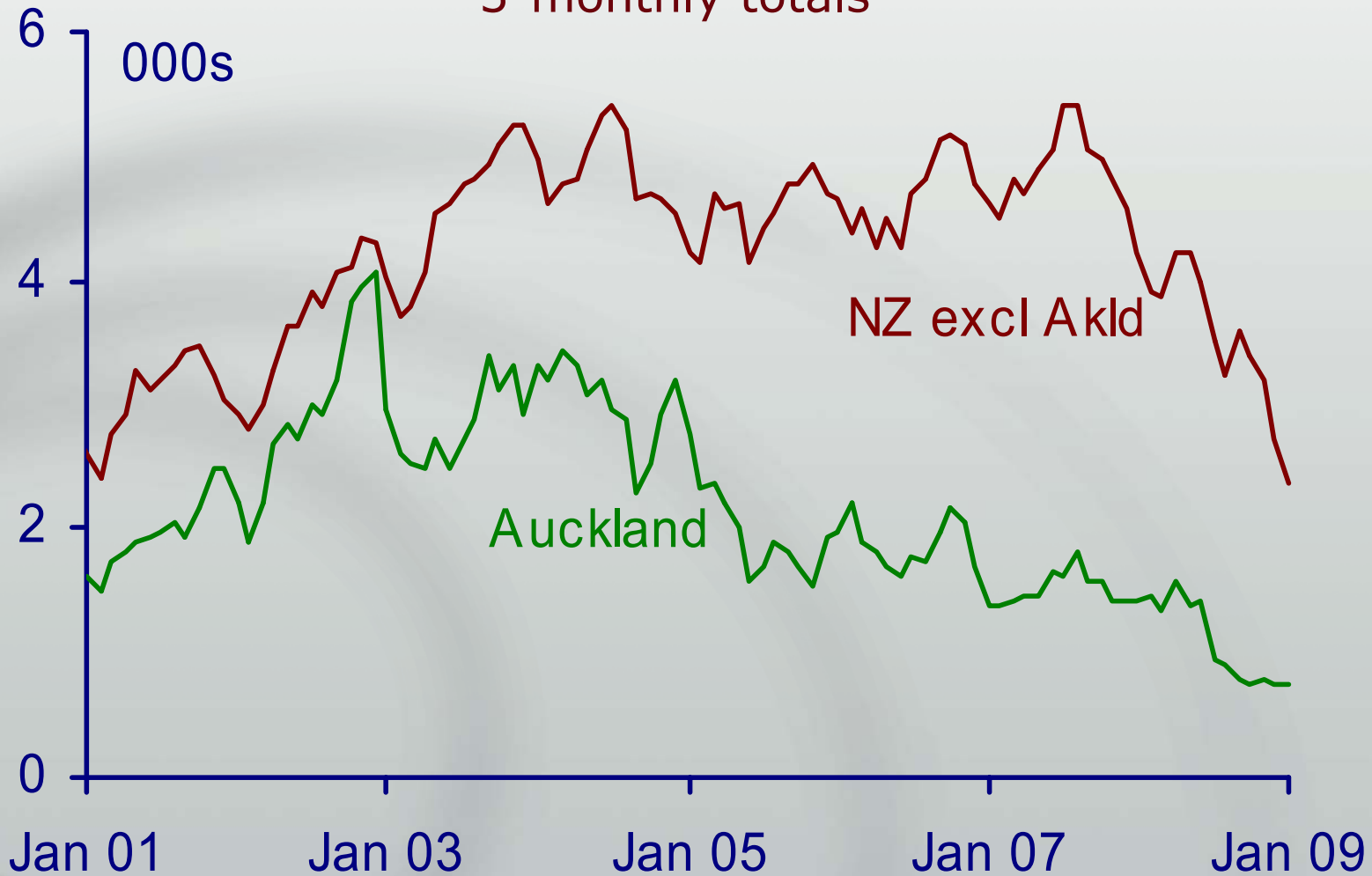
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Residential building consents

3-monthly totals



Residential building consents

Manawatu-Whanganui

3-monthly totals



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Guest nights

Manawatu-Whanganui

3-monthly totals



safety instructions

BEECH 1900D



SEAT BELT



OXYGEN



BRACE POSITION



Potential responses

- go back to sleep
- search for the instruction sheet
- shout 'the end is nigh'
- follow the instructions of crew
- remember one's training

Economics is ...

liquidity
credit crunch
house prices
interest rates
inflation
exchange rates
share prices
debt-to-equity ratios
bank bailouts

Economics is ...



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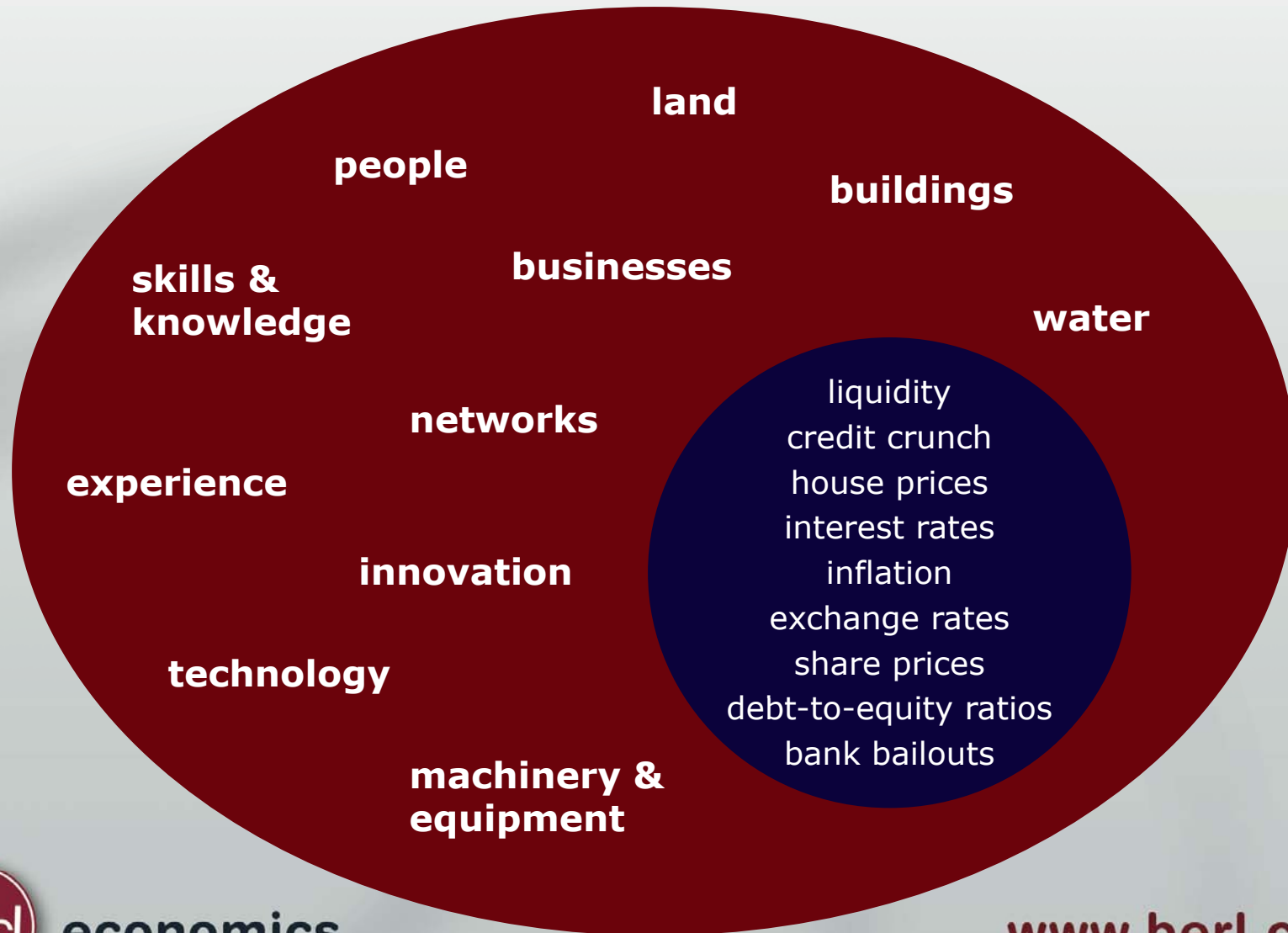


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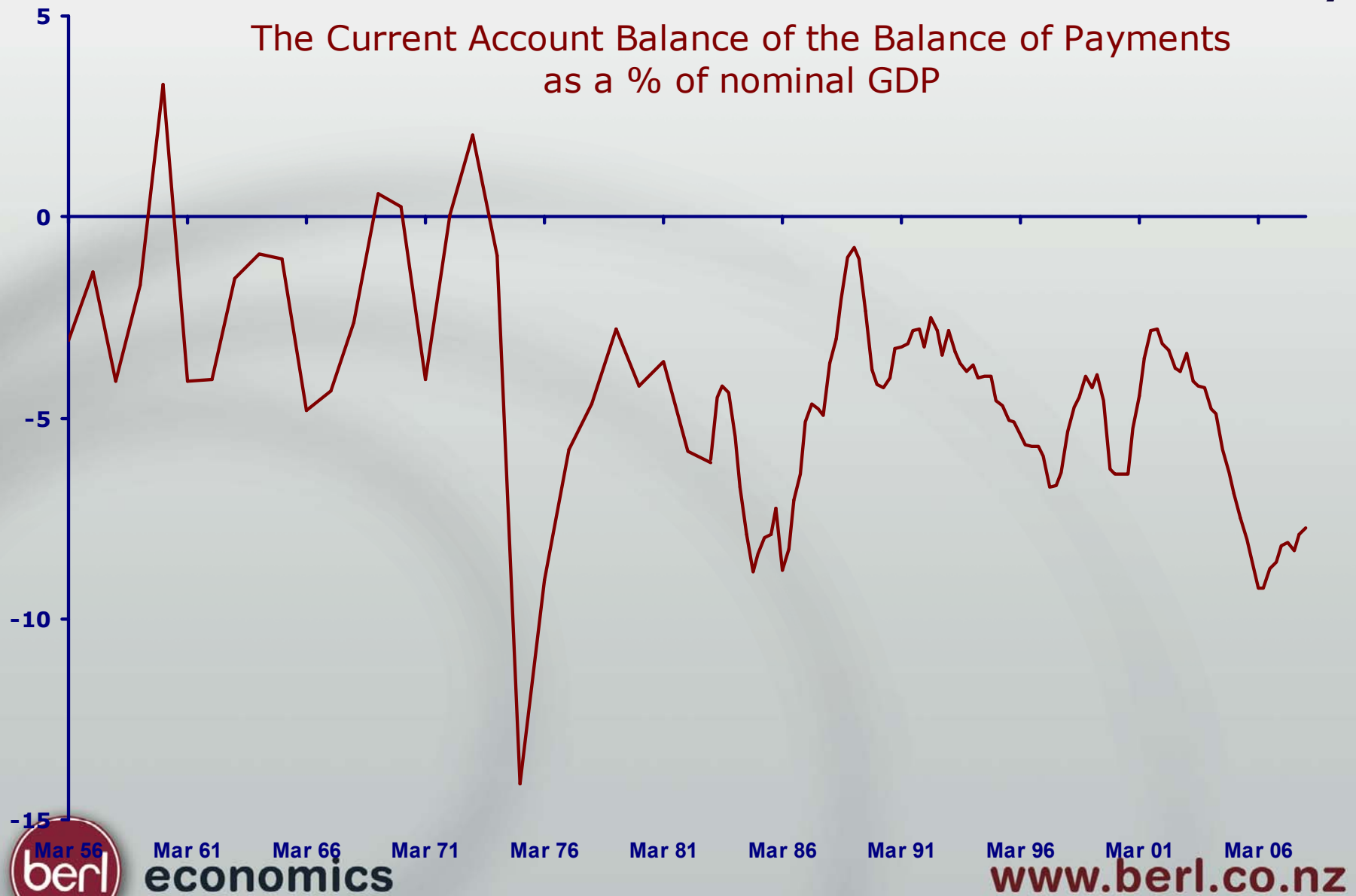
Economics is ...



Primary challenge

- not to get overwhelmed by gloom from financial media and associated commentaries
- recognise that economic issues facing NZ and its businesses remain essentially unchanged

The Achilles' Heel of the NZ Economy



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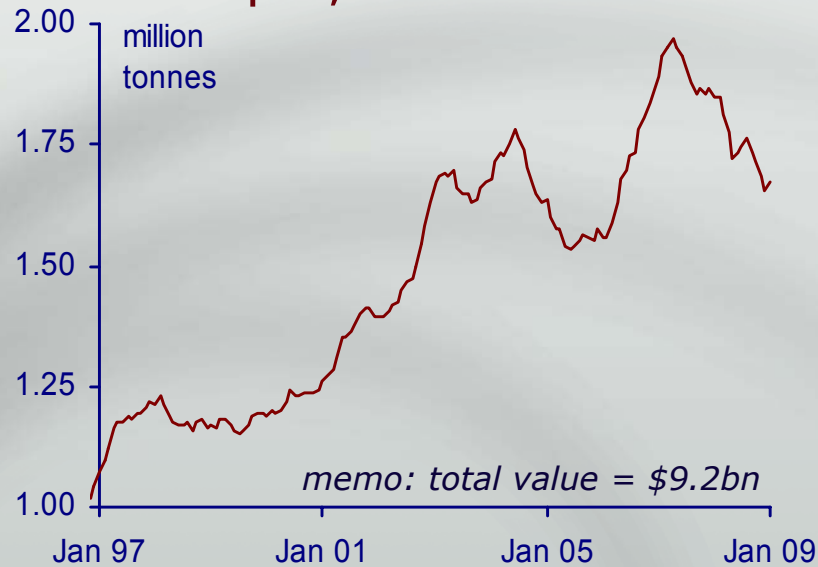
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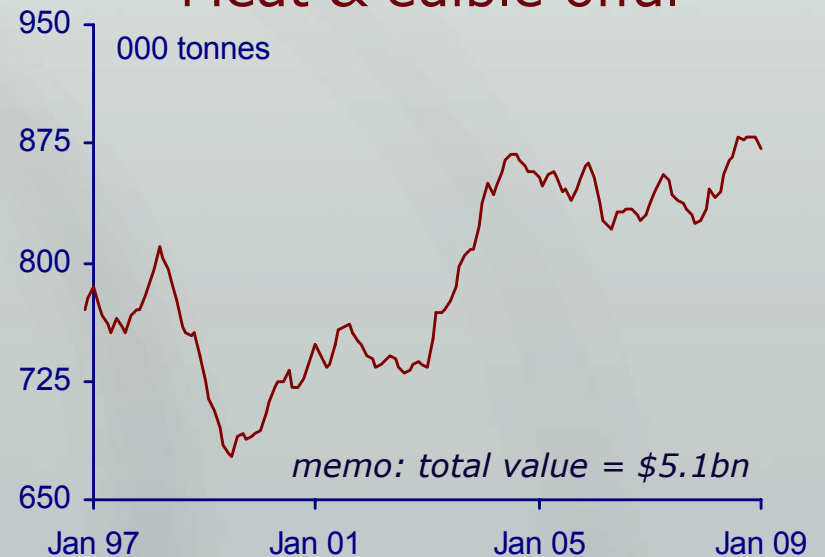
Export volumes

annual totals

Milk pdr, butter & cheese

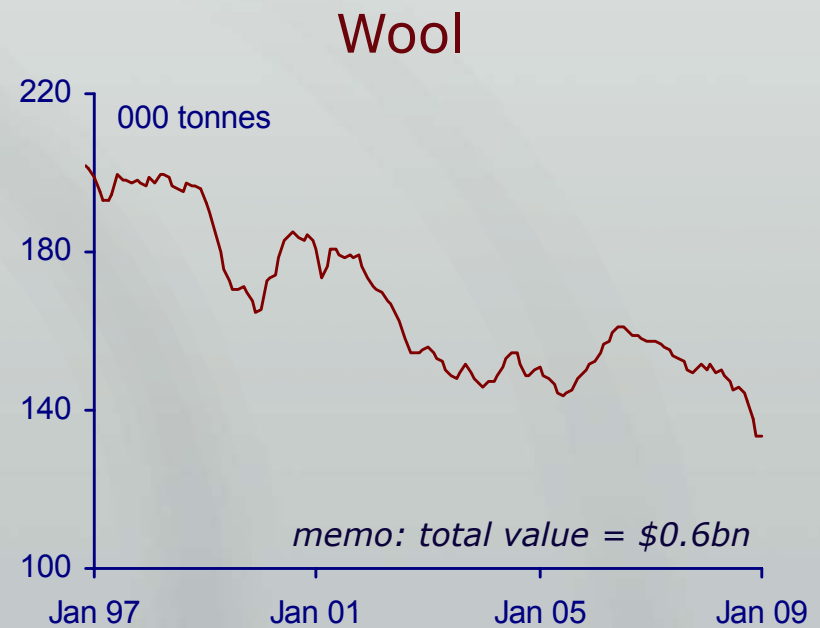
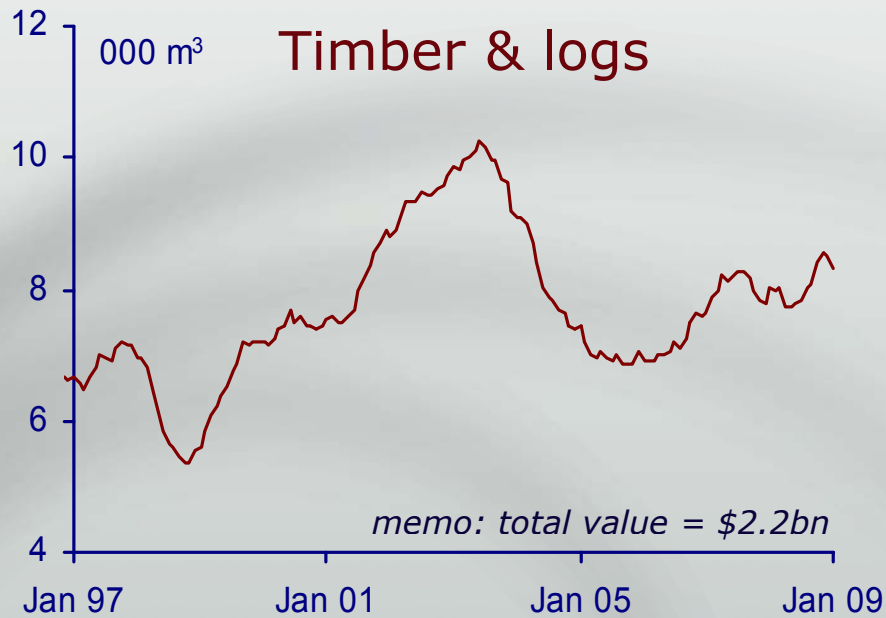


Meat & edible offal

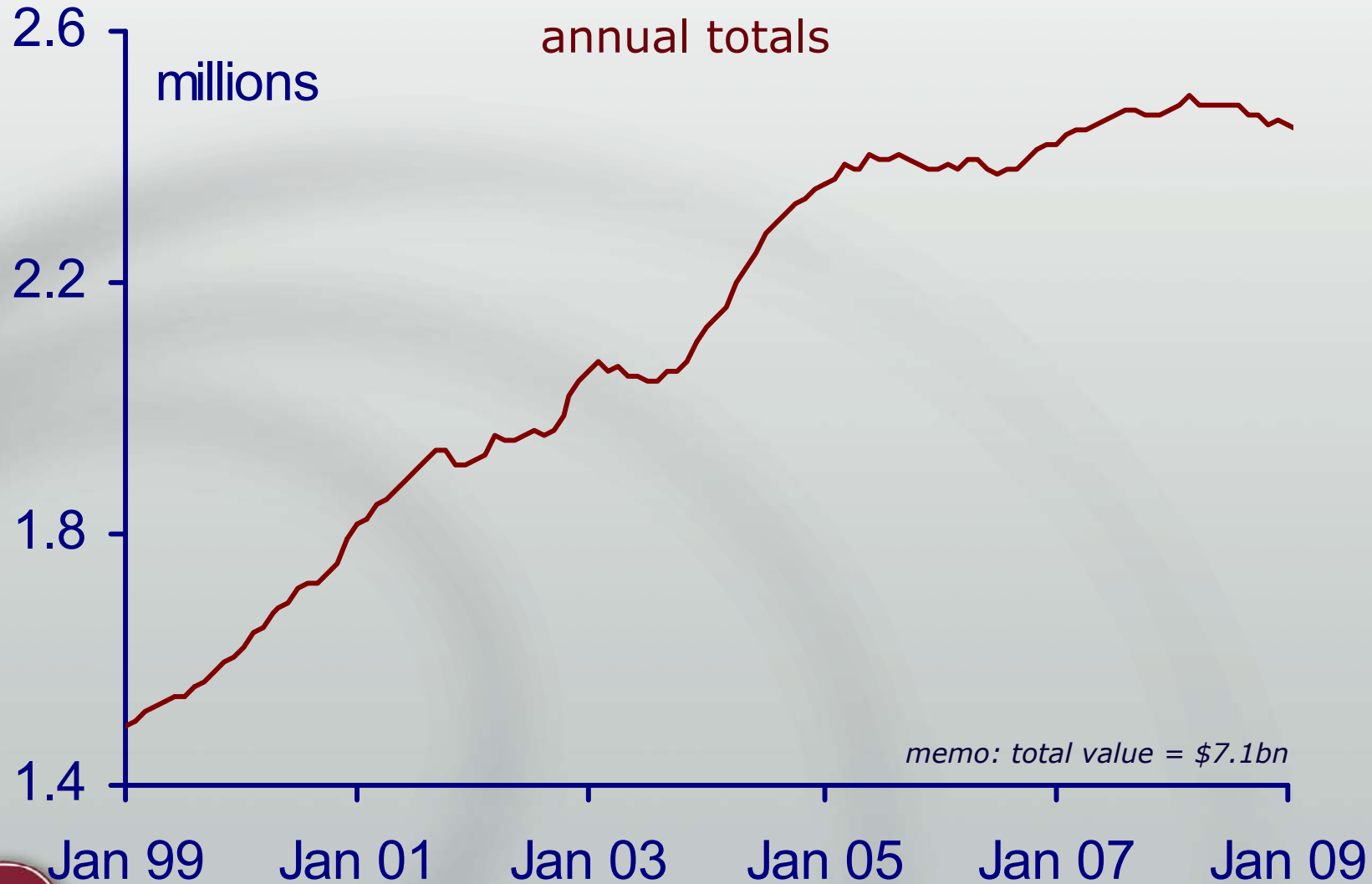


Export volumes

annual totals



International visitors



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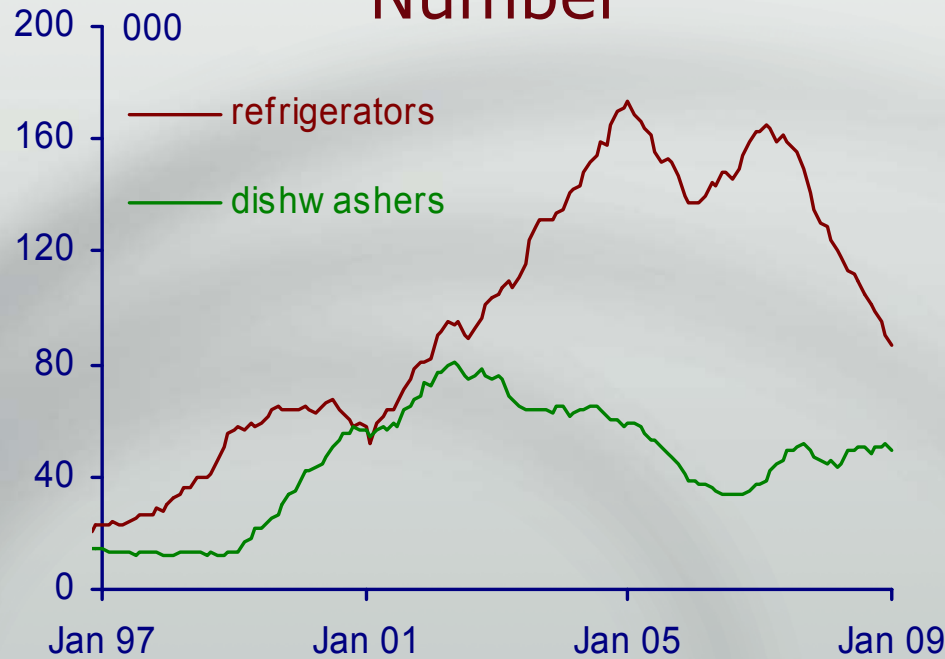
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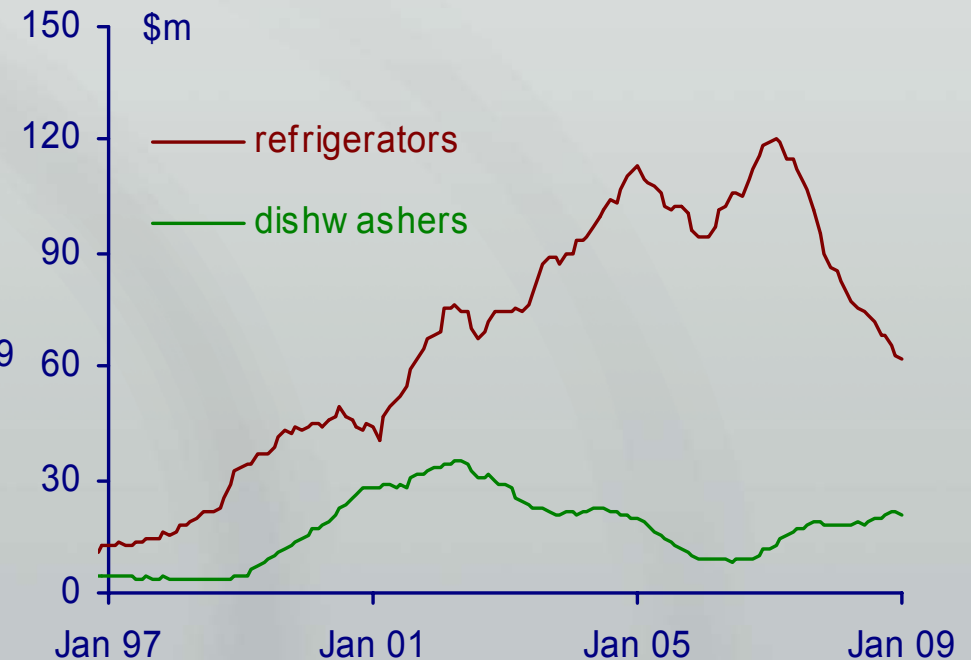
Exports of selected manufactures

annual totals

Number

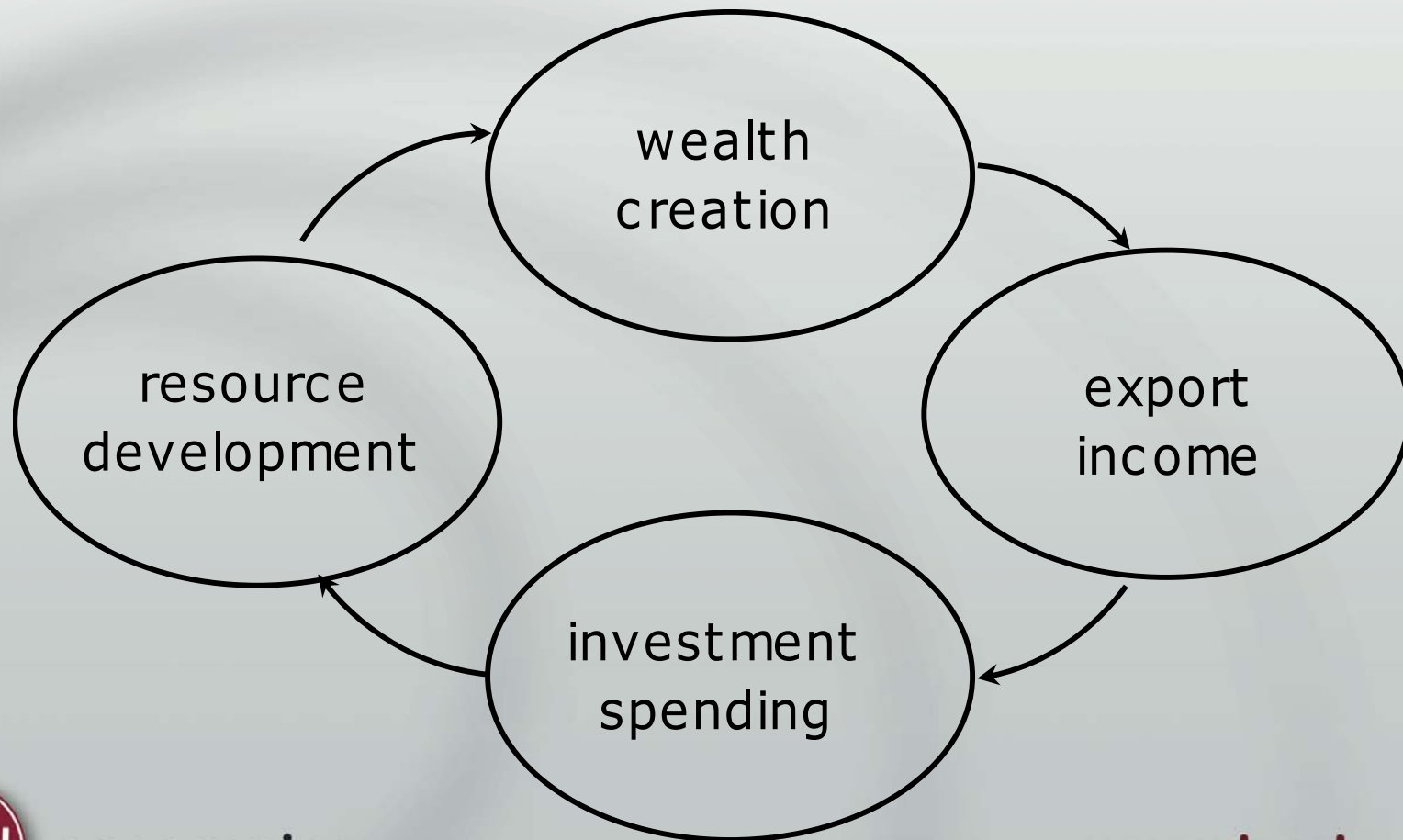


Value



Secondary challenge

or Rocket Science 101 - Economics component

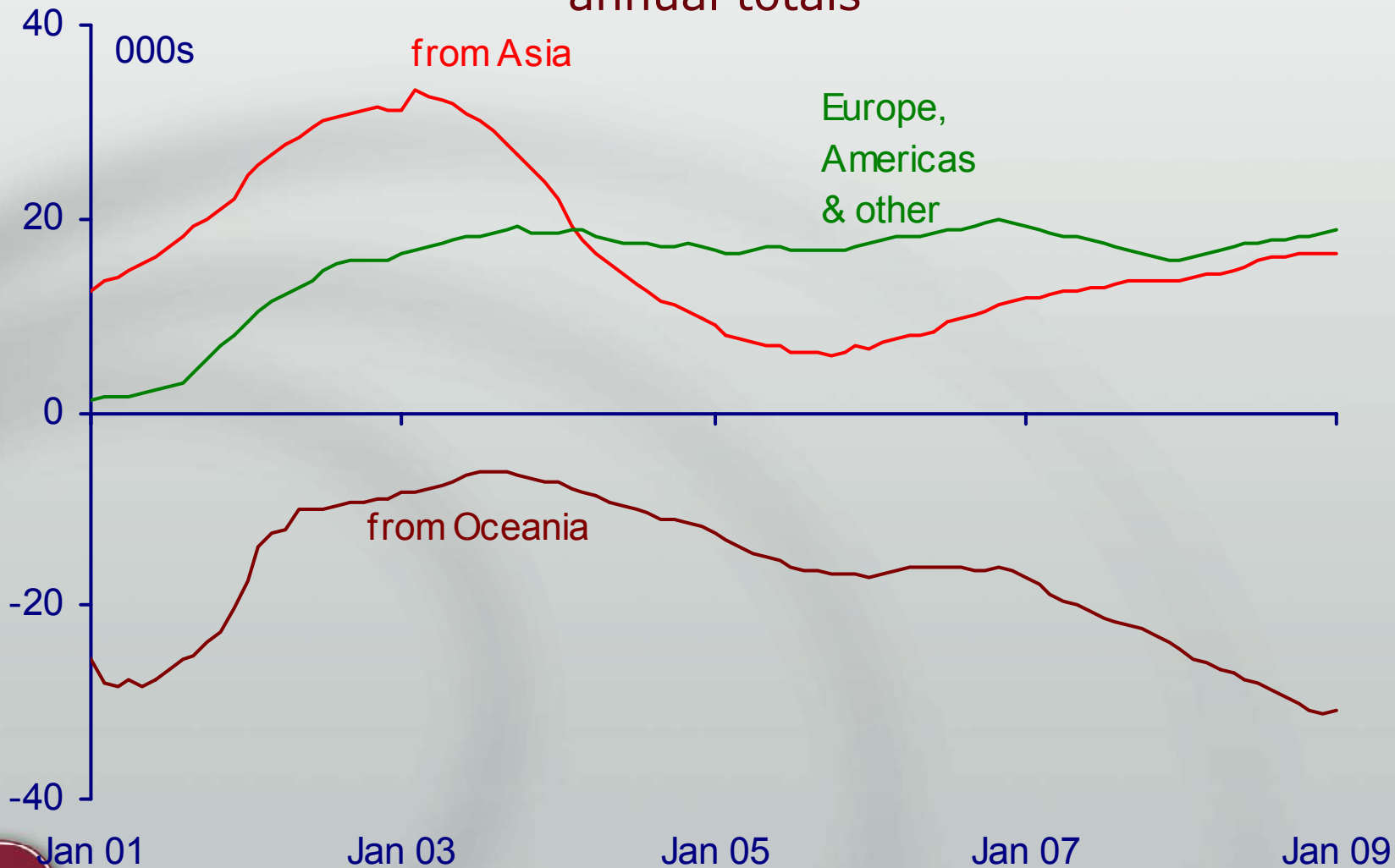


Challenges & opportunities

- Investment in people
 - * skills, networks, businesses
- Investment in resources
 - * land, water, buildings, equipment
- Investment in systems
 - * technology, innovation, enterprise

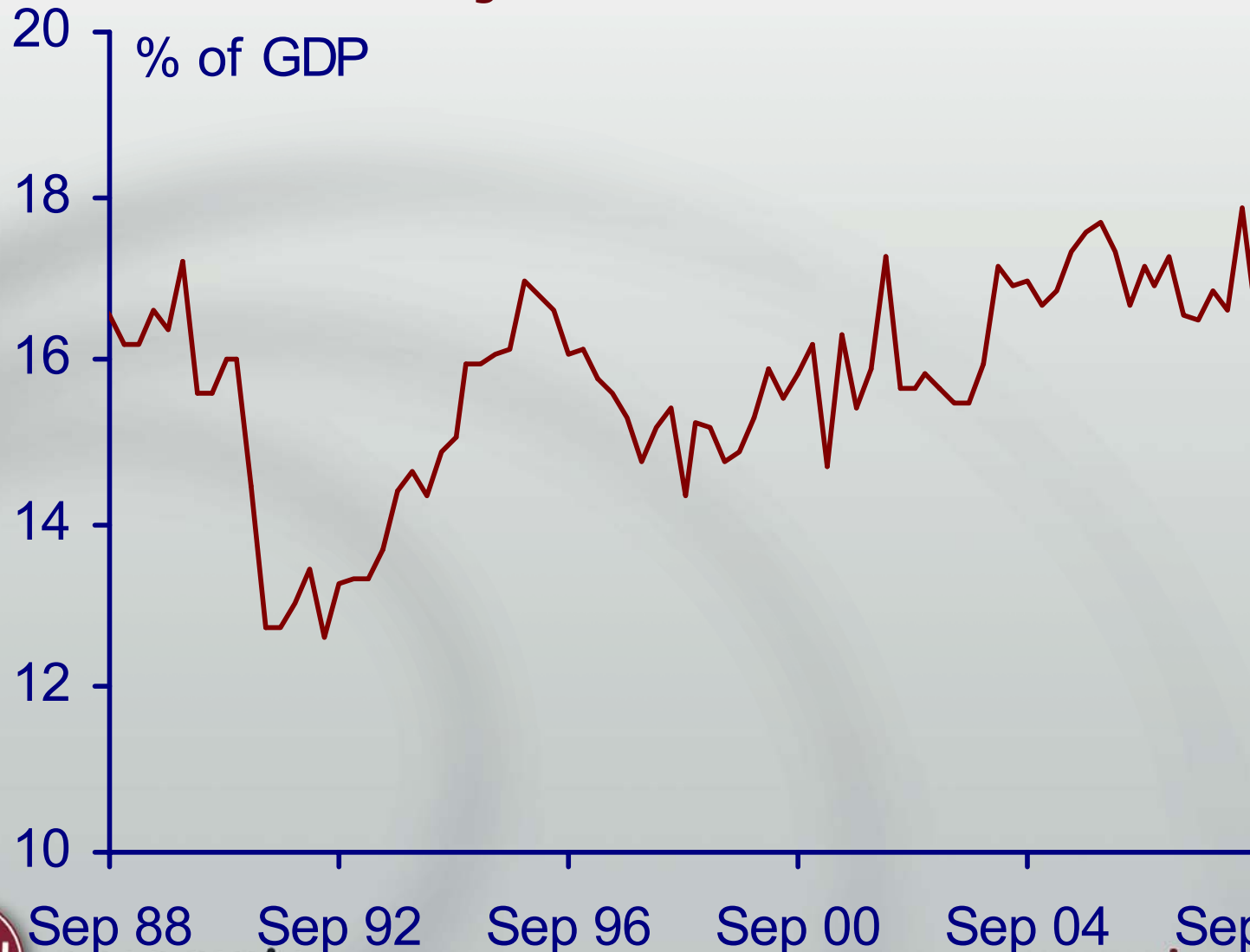
Net migration to NZ from regions

annual totals



How much are we investing for the future?

Non-housing investment as a % of GDP



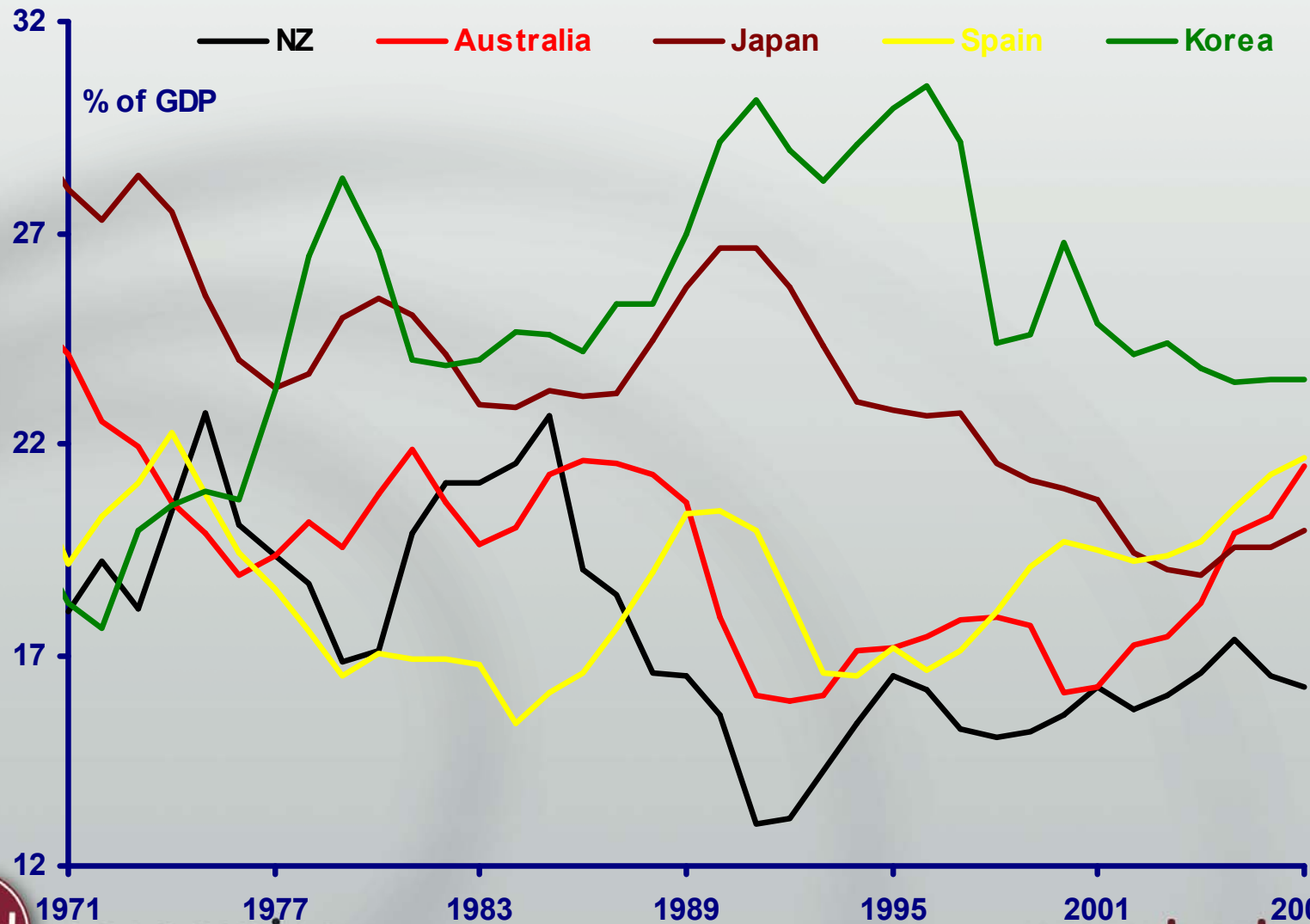
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Is it enough?

Non-housing investment as % of GDP



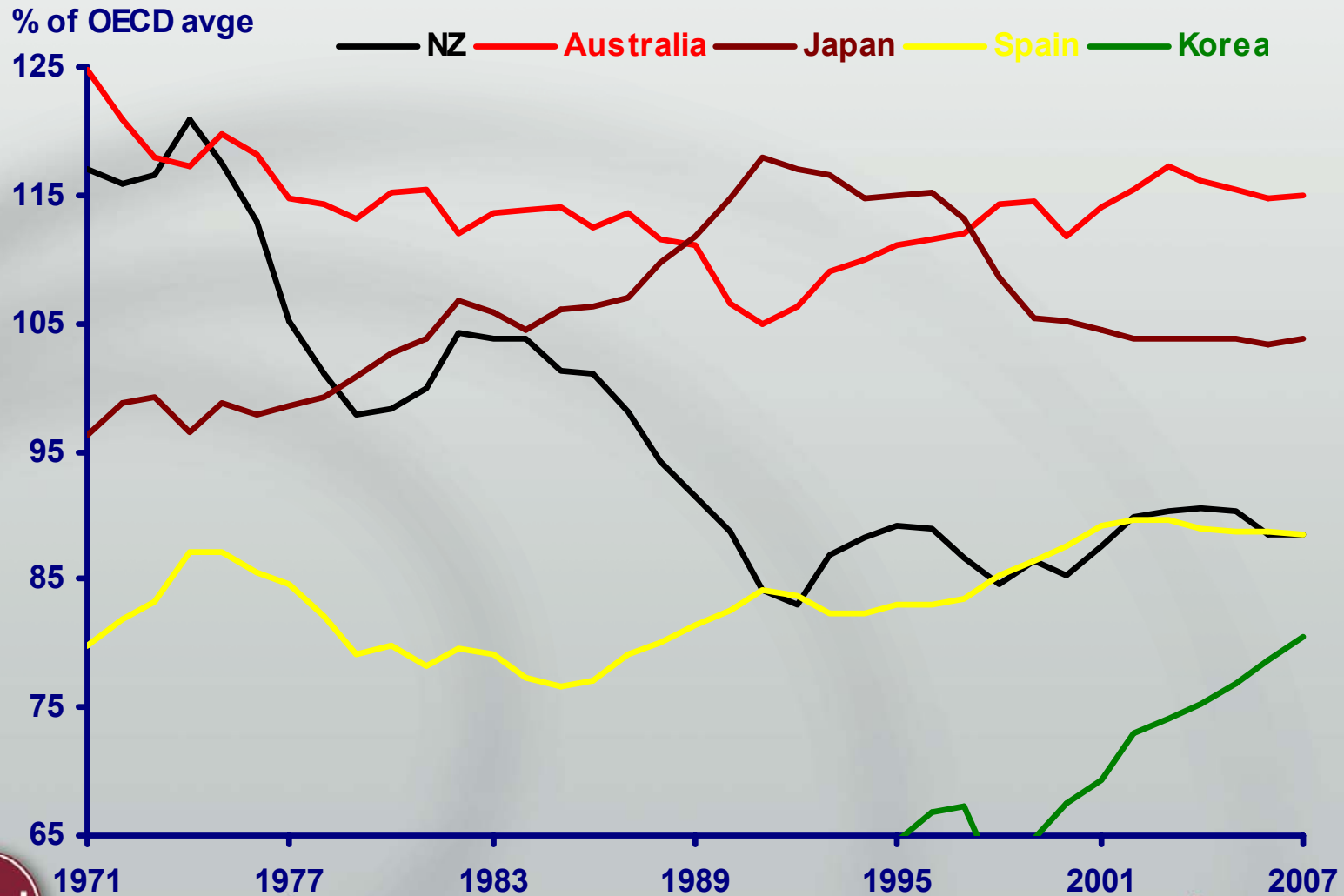
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'Cos look who's catching up

GDP per capita at PPP as % of OECD avge



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The world moves in our favour

NZ's merchandise terms of trade



“Today’s dirty word is inefficiency, not profit. We are not rich enough to accept inefficiency of any form. We cannot afford to misuse our resources of labour, capital, land and entrepreneurial talent.

“The Government is not seeking growth at all costs, but a faster rate of growth is nevertheless our goal. ... Without growth in output the prospects for raising real incomes and for employment are bleak.”

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Budget Speech, July 1980