

A Measurable Goal for New Zealand

October 2008



MORRISON & CO

“New Zealand needs a vision that will excite and motivate every citizen to reach new and heretofore unheard of heights.

There is no reason why this country cannot be one of the most prosperous nations in the world and a model for others.”

Dr Michael Porter, 1998

NZ needs an aspirational, measurable goal



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- Many of New Zealand's cultural principles were established when it was a wealthy country. Rather than erode these, we believe that New Zealand needs to offer a standard of living that is the envy of the world and which enables us to sustain our principles
- We know that to achieve such a standard of living – and provide for the healthcare, education, social services and environmental protection we desire – we need a strong economy
- However, there is no clearly articulated goal we are pursuing and no solid plan of how we can get there. In the absence of such a goal, we have drifted downwards for several decades relative to other countries
- Measurability is a critical ingredient for success when chasing any objective. We believe that the time has come for New Zealanders to set ourselves a measurable, long term goal that : provides a yardstick for progress; requires us to adopt policies and strategies to achieve that goal; and, most importantly, enables us to afford the country we expect New Zealand to be

On our current trajectory, by 2025 NZ will be worse off than Kazakhstan & Botswana



- In 1900, NZ had the highest GDP per capita on earth
- In 1950, we were still the world's sixth wealthiest nation
- Since then we have slid rapidly to #32 on the GDP per capita ladder
- On current forecasts, by 2025 we will fall to #47
- That will put us well below Kazakhstan and Botswana!

NZ's GDP per capita is sliding rapidly relative to other nations

World Rankings: GDP per Capita (PPP)

1950	2007	2025 (Projected)
1. Qatar	1. Qatar	1. Luxembourg
2. Kuwait	2. Luxembourg	2. Singapore
3. United Arab Emirates	3. Norway	3. Qatar
4. United States	4. Brunei Darussalam	4. Hong Kong SAR
5. Switzerland	5. Singapore	5. Norway
6. New Zealand	6. United States	6. Bahrain
7. Luxembourg	7. Ireland	7. Ireland
8. Venezuela	8. Hong Kong SAR	8. Kuwait
9. Australia	9. Switzerland	9. United States
10. Canada	10. Kuwait	10. Oman

	32. New Zealand	33. Botswana
		...
		42. Kazakhstan
		...
		47. New Zealand

Sources: 1950 GDP per capita rankings from The Conference Board & Groningen Growth and Development Centre, Total Economy Database (Sept 2008)
2007 GDP per capita rankings from IMF World Economic Outlook Database (April 2008)
2025 projections based on extrapolation of long term real GDP per capita growth forecasts from IMF World Economic Outlook Database (April 2008)
IMF rankings are adjusted for purchasing power parity

We are also slipping down the rankings based on GNP per Capita

World Rankings: GNP per Capita (PPP)

1980	2007
1. United Arab Emirates	1. Luxembourg
2. Kuwait	2. Norway
3. Saudi Arabia	3. Kuwait
4. Switzerland	4. Brunei Darussalam
5. United States	5. Singapore
6. Bahrain	6. United States
7. Iceland	7. United Arab Emirates
8. Luxembourg	8. Hong Kong
9. Canada	9. Switzerland
10. Sweden	10. Netherlands
...	...
23. New Zealand	30. New Zealand

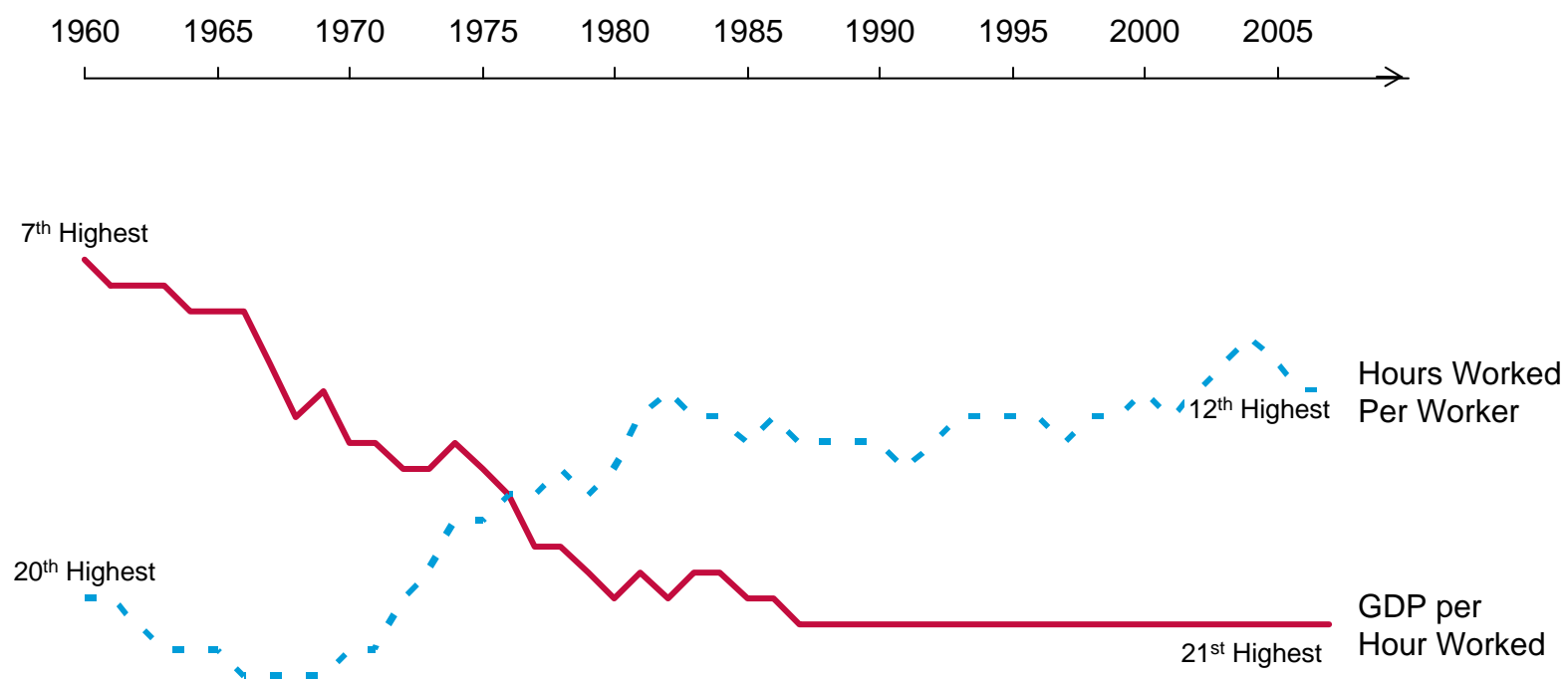
In some respects, **GNP** is a better measure of our national standing than **GDP**, since it includes income from offshore investments. However, since international economic data and forecasts are generally presented in GDP, we have used this as the primary measure in our analysis.

NB. Brunei is excluded from the 1980 rankings due to lack of data availability. 2007 GNP data was not available for Kuwait, Brunei, UAE or Bahrain and has therefore been projected forward from the most recent available figures.

Source: World Bank Development Indicators

We are working long hours, but our productivity is falling behind our peers

NZ's Ranking Amongst 24 OECD Countries: 1960 – 2007 ⁽¹⁾



(1) Includes all OECD countries that existed as independent states in 1960 (ie excludes Germany, Czech Republic, Hungary, Poland & Slovakia)

Source: The Conference Board & Groningen Growth and Development Centre, Total Economy Database (Sept 2008)

Why should we care about our position in the GDP per capita rankings?



- Because lifting GDP per capita will allow us to pay for the healthcare, education and environmental preservation we value as a society
- Because it increases the size of the pie, allowing us to take better care of the worst off members of our community
- Because when there are more well paid jobs available, crime drops and we can all feel safer
- Because as international mobility increases, it is our **relative** economic strength that determines NZ's ability to retain and attract the best people

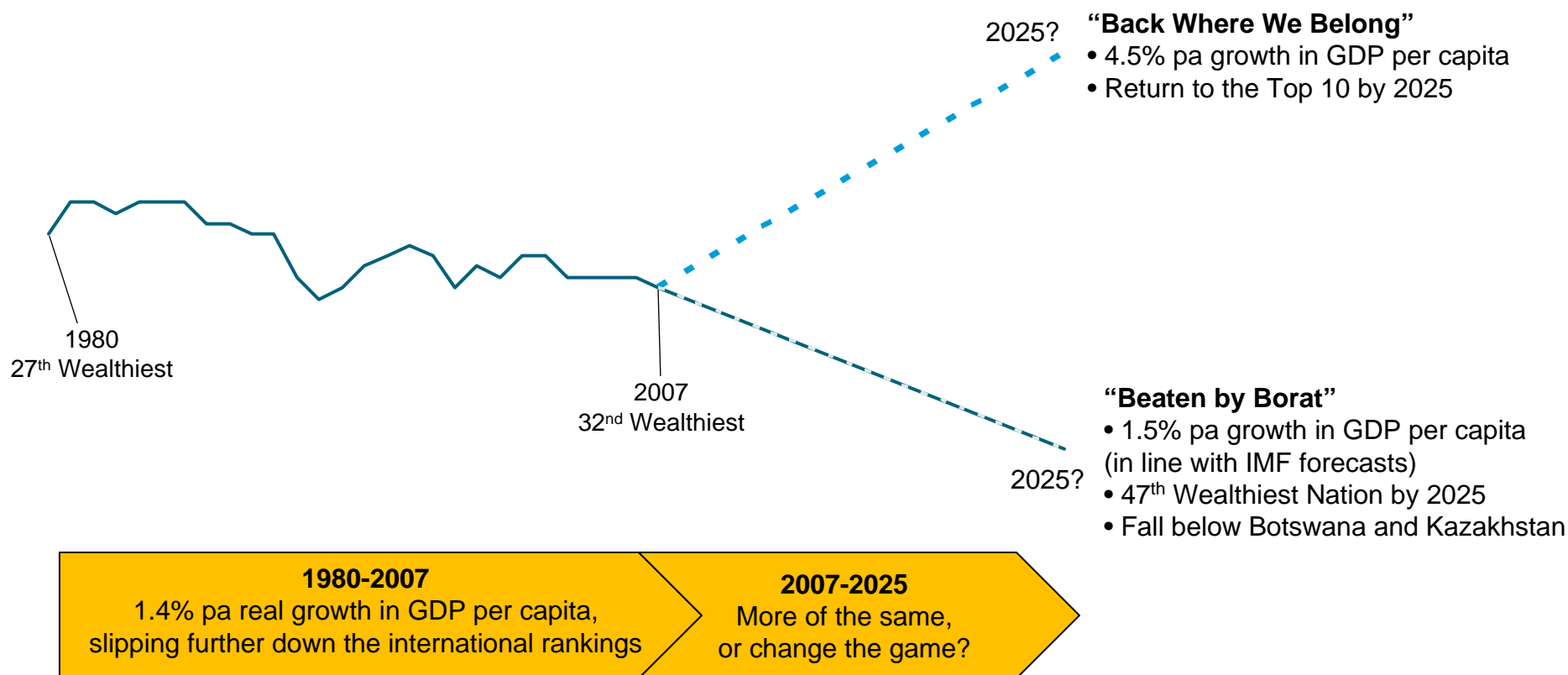
In 2025, do we want our kids to be heading to Kazakhstan to pursue opportunities we can't offer them at home?

It's time to lift our expectations in NZ

- Incrementalism won't deliver us the country we want to live in
 - It's a recipe for continued steady decline
- The current global turmoil brings great challenges, but also an opportunity to set a long term strategy that will lift our relative position
- New Zealand needs a long term goal that is
 - Ambitious: Because low ambition delivers sub-standard outcomes
 - Measurable: So we can hold leaders accountable for performance
 - Shared: So it wins broad support and survives beyond electoral cycles
- All political leaders should be asked
 - Where do they think NZ should be by 2025?
 - How will they move us towards that goal?

Our proposed goal: Get NZ back into the Global GDP per Capita Top 10 by 2025

NZ's World Ranking in GDP per Capita (PPP)

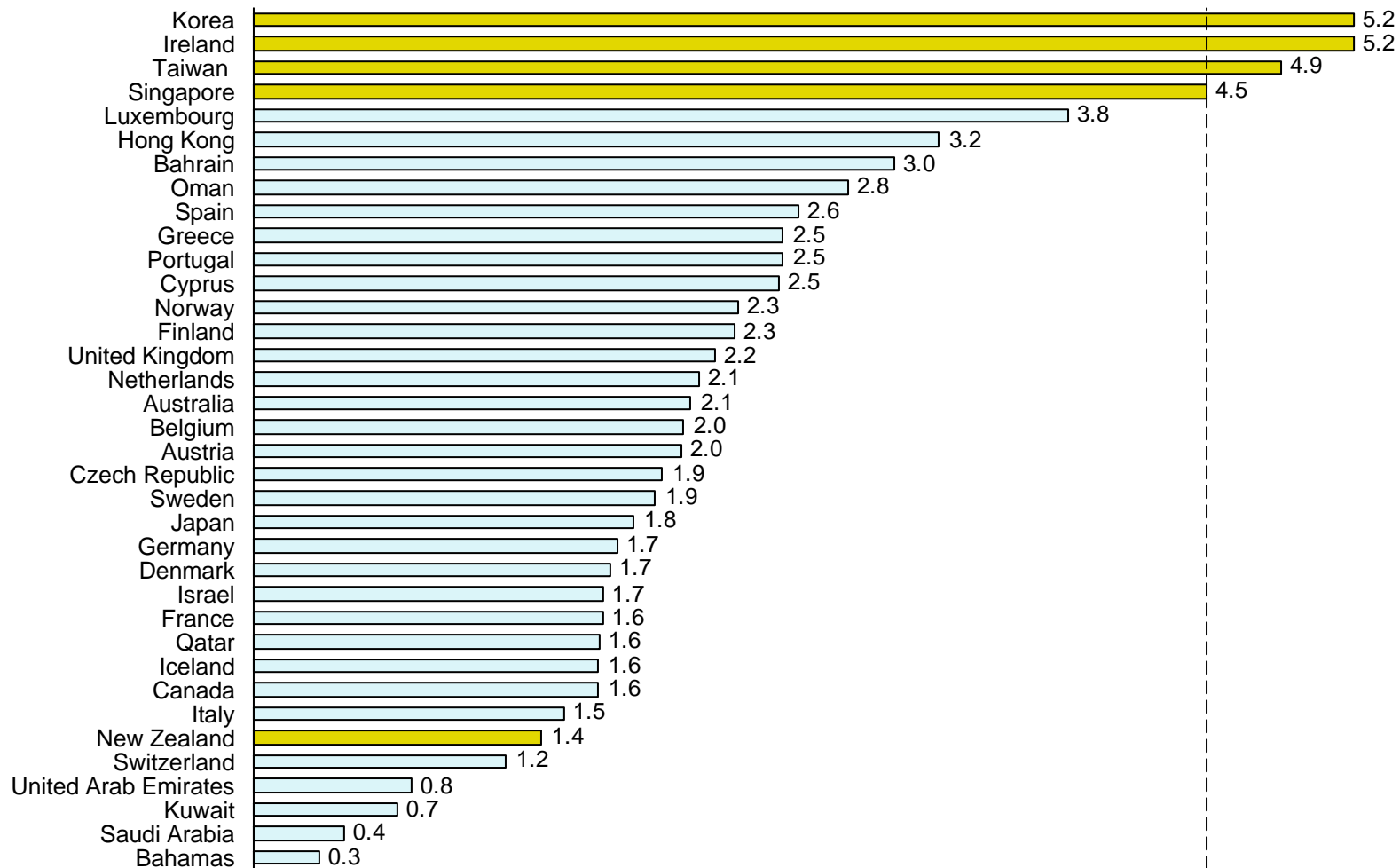


Sources: 1980 to 2007 data from IMF World Economic Outlook Database (April 2008)

2025 projection based on extrapolation of long term real GDP per capita growth forecasts from IMF World Economic Outlook Database (April 2008)

Korea, Ireland, Taiwan and Singapore have all shown this level of growth is possible

Real Annual Growth in GDP per Capita of the World's Wealthiest Nations: 1987-2007



Source: IMF World Economic Outlook Database (April 2008)
Sample is world's 40 wealthiest countries, excluding those that did not exist as independent states in 1987

Real GDP per Capita growth
rate required for NZ
to return to Top 10 by 2025

How do we get there from here?

The first step is to commit to a goal



- We don't profess to know the precise path that will get us back into the global GDP per capita Top 10
 - We do support the direction of the NZX & NZ Institute *Swan Dive or Belly Flop* document and have contributed to the further development of those ideas
- We know that continuing our slide is not an option
- If you want to run a marathon, the first step is to tell everyone you're going to do it
- Similarly, New Zealand needs to define and commit to a goal – on a bi-partisan basis. Politicians should be vying for our votes on the basis that their policies will deliver outcomes towards our goal
- Once we've made the commitment, we'll surprise ourselves with what we can achieve

How will you make a difference to the future of New Zealand?



- We'd like to promote a conversation amongst ALL New Zealanders about our nation's long term goal – only by broadly agreeing a target can New Zealanders, through joint ambition, work to get the nation we want. Loose well meaning but unmeasured targets no longer suffice. New Zealand's relative standard of living has fallen too far. It is time to do something about it!
- Do you agree that we need an ambitious, measurable, shared goal for New Zealand?
- Do you believe that we ought to set our sights on returning to the global GDP per capita top 10 by 2025?
- Do you have better ideas?

- Declare your support or contribute to the debate by
 - emailing measurablegoal@hrlmorrison.com
 - participating in the online discussion at www.blog.nzx.com