Positives for 2009

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Among the good wishes for the New Year you can detect quite a bit of insecurity - even a hint of fear - perhaps because it’s not clear just how deep or long the global downturn will be and what sort of response will be needed.

This raises the danger that our reaction to the economic downturn could in fact exacerbate it. This would be very counterproductive for New Zealand business.

New Zealand had no involvement in the events that brought about the 2008 credit crisis. The financial instruments misused in the US are not a major feature of financial markets here and thankfully we have seen less of the dodgy trading practices seen elsewhere.

However we will be affected by the fallout from that crisis. The economic downturn will inevitably constrain some companies’ ability to sell into some overseas markets and make it harder to grow enterprises or get new ones under way.

But that may not necessarily be the case for all players. It will be important to keep a positive attitude rather than expecting the worst and getting a self-fulfilled prophesy.

Here in New Zealand we have lots going for us. We have been insulated from the worst of the credit crisis and many of the features of our economy are positive. We have one of the world’s lowest levels of unemployment. We have relatively low government debt. We don’t have to prop up giant unprofitable firms the way some other economies are forced to do.

Fundamentally, we have a real economy here, not one of shadows and mirrors.

We produce real things that real people want to buy – fine food, fibre, wood, wine, manufactured goods, services and the rest. We need to retain our pride in the superb things we produce and export. No one else makes them like we do and if we don’t promote them and have faith in them no one else will.

We need to keep a long term view. Companies that do this will pursue sensible strategies to take market share from their competitors - that’s also how we should be thinking as a nation.

Especially now, our future is in our own hands. We should remember that if we are facing hard times, then it is logical that our competitors are too. With every change, even negative change, comes opportunity and we shouldn’t be focusing on the hard times, but on the opportunities.

Our other area of change is the new government. Here too is opportunity. With a new approach to things like employment, regulations and innovation, it should be possible to change gear and get more from the economy.

What should we do? As a general principle, any investment or change made in any of these areas short term should also make sense in the long term.

In the jobs area for example, we could take action to prevent a hiatus in apprenticeships. Employers might not be keen to take on new apprentices right now given the current uncertainty. Down the track this could have unfortunate effects, with shortages of skilled tradespeople in the future.

Investment in apprenticeships – perhaps by temporary government support for apprentice wages or other means – could be one way of keeping the flow of needed skills into the future while furnishing financial support in the present.
Regulation would be another good area to tackle as part of a suite of recovery measures. Simplifying and reducing the compliance involved in business tax, employment and environmental law would make sense long term and would also reduce the present financial and time strain on businesses.

As the new government seeks advice on new economic directions, these are the kind of initiatives that Business NZ will be promoting as the best chance for success.

Sensible measures to help us now and also boost the economy long term, a positive attitude and an eye for opportunity will serve us well in 2009.

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