



IBM FORUM 06

Results through Innovation



Preparing for the future:

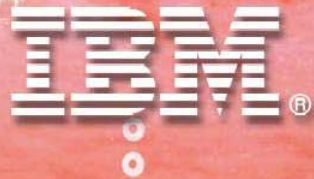
Emerging priorities for the New Zealand economy

what makes you *
special?

The background of the slide is a vibrant red-orange gradient. At the top, there is a decorative border of various colorful flowers in shades of blue, orange, and yellow. In the bottom left corner, there is a photograph of a modern, multi-story white building with large windows and a balcony. The text 'IBM FORUM 06' is prominently displayed in the upper left quadrant, with 'Results through Innovation' underneath it. The IBM logo is positioned below the tagline. The main title 'Dr David Skilling' and subtitle 'The New Zealand Institute' are centered in the middle of the slide. In the bottom right corner, the slogan 'what makes you * special?' is written in a white, sans-serif font, with a small yellow asterisk above the word 'special'.

IBM FORUM 06

Results through Innovation



Dr David Skilling

The New Zealand Institute

what makes you *
special?

IBM FORUM 06

Results through Innovation

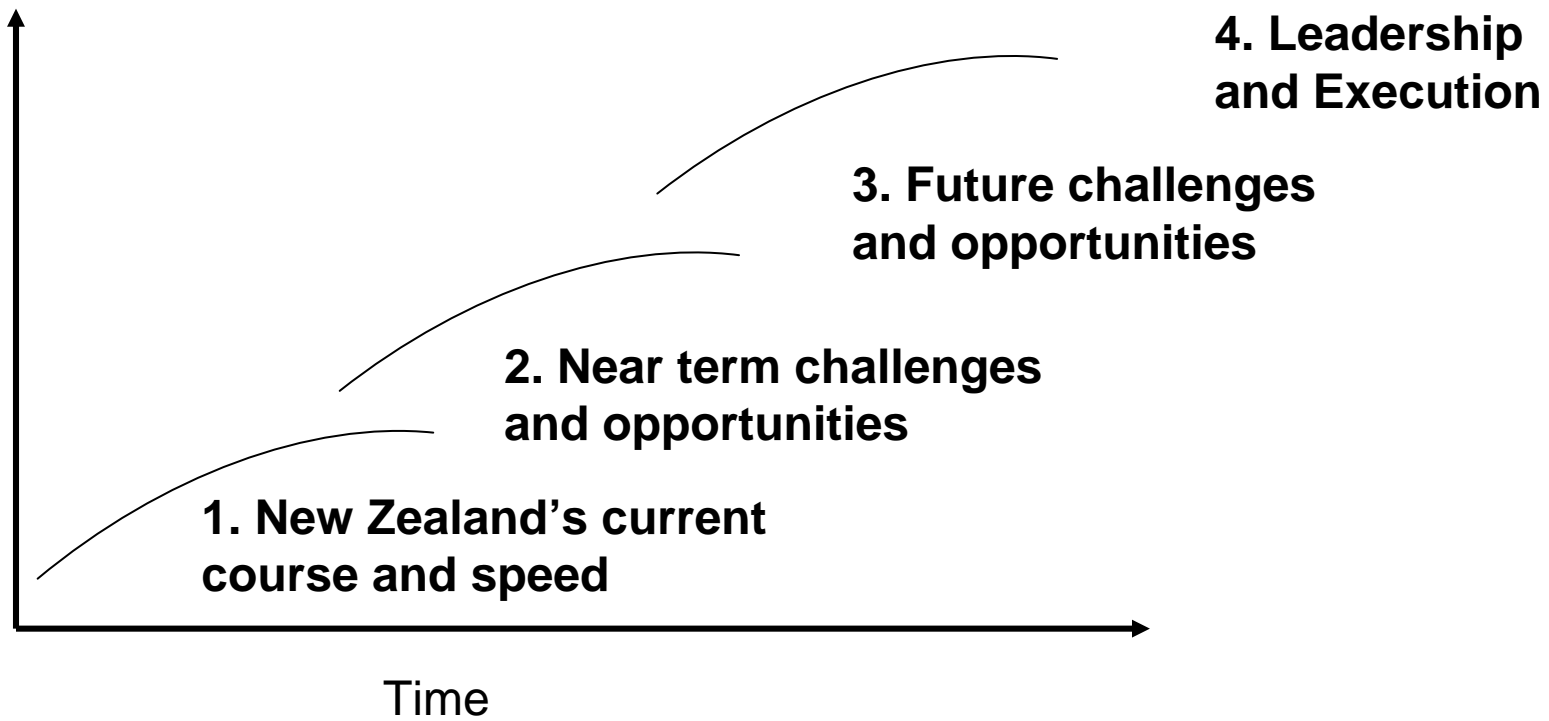


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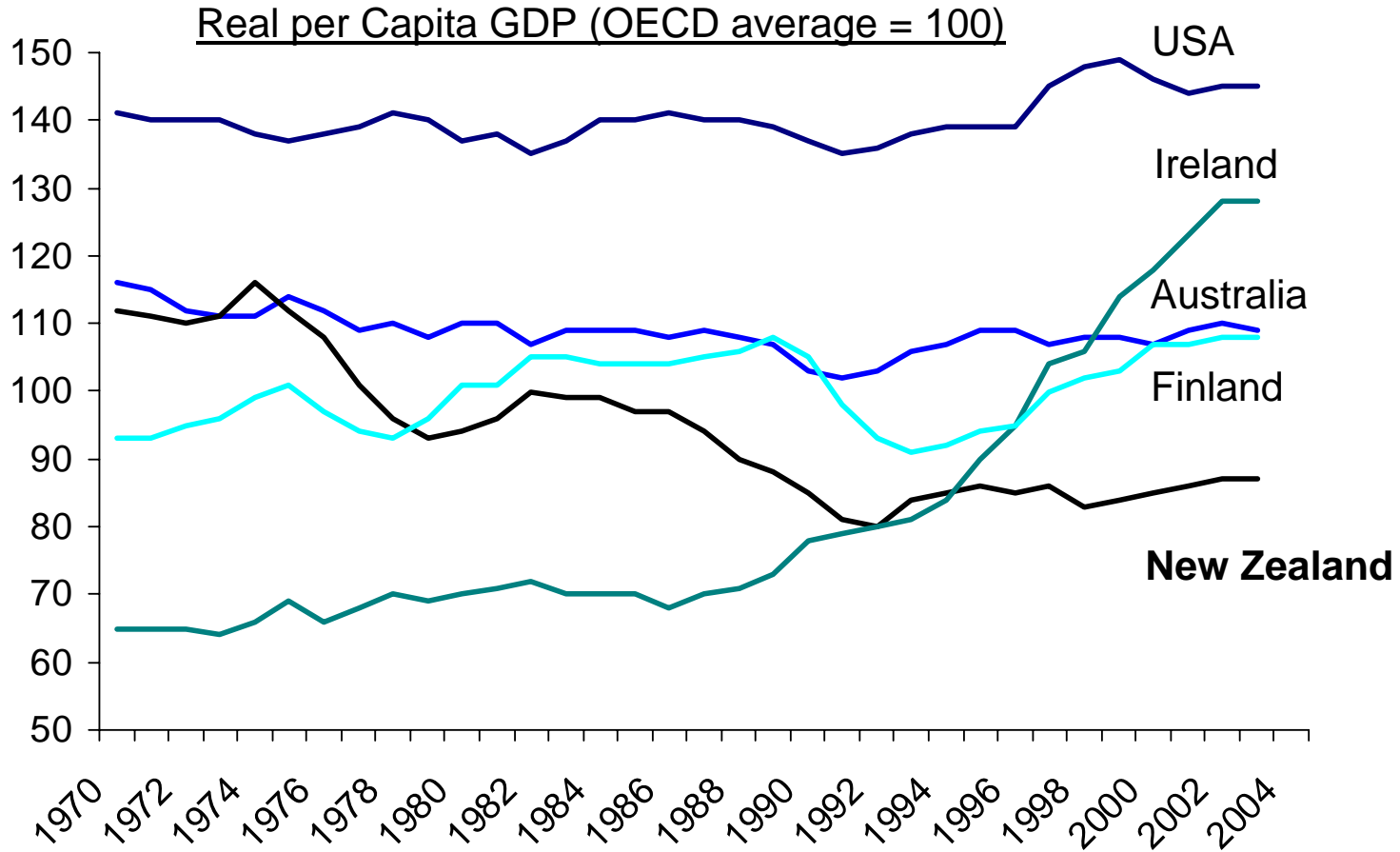


what makes you *
special?

AGENDA



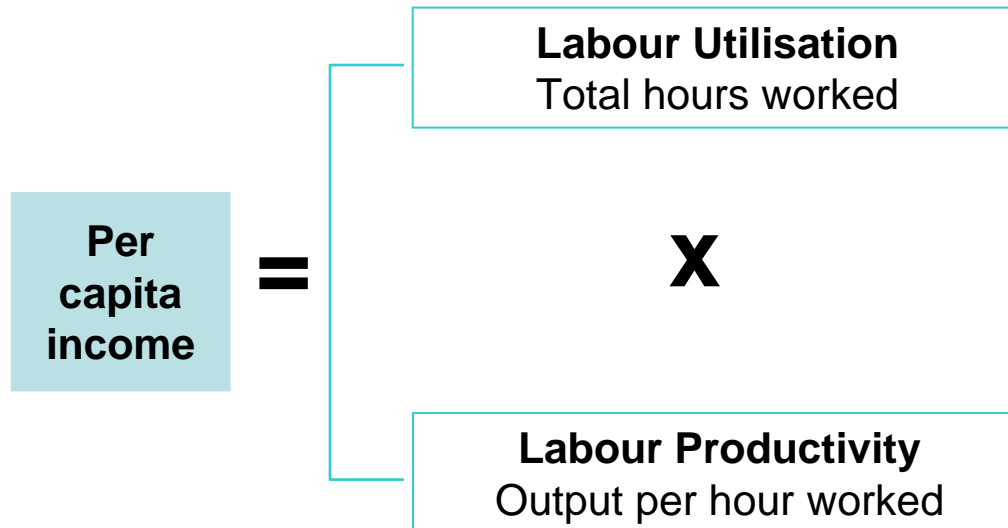
1. NEW ZEALAND'S PROLONGED RELATIVE INCOME DECLINE WAS HALTED DURING THE 1990s



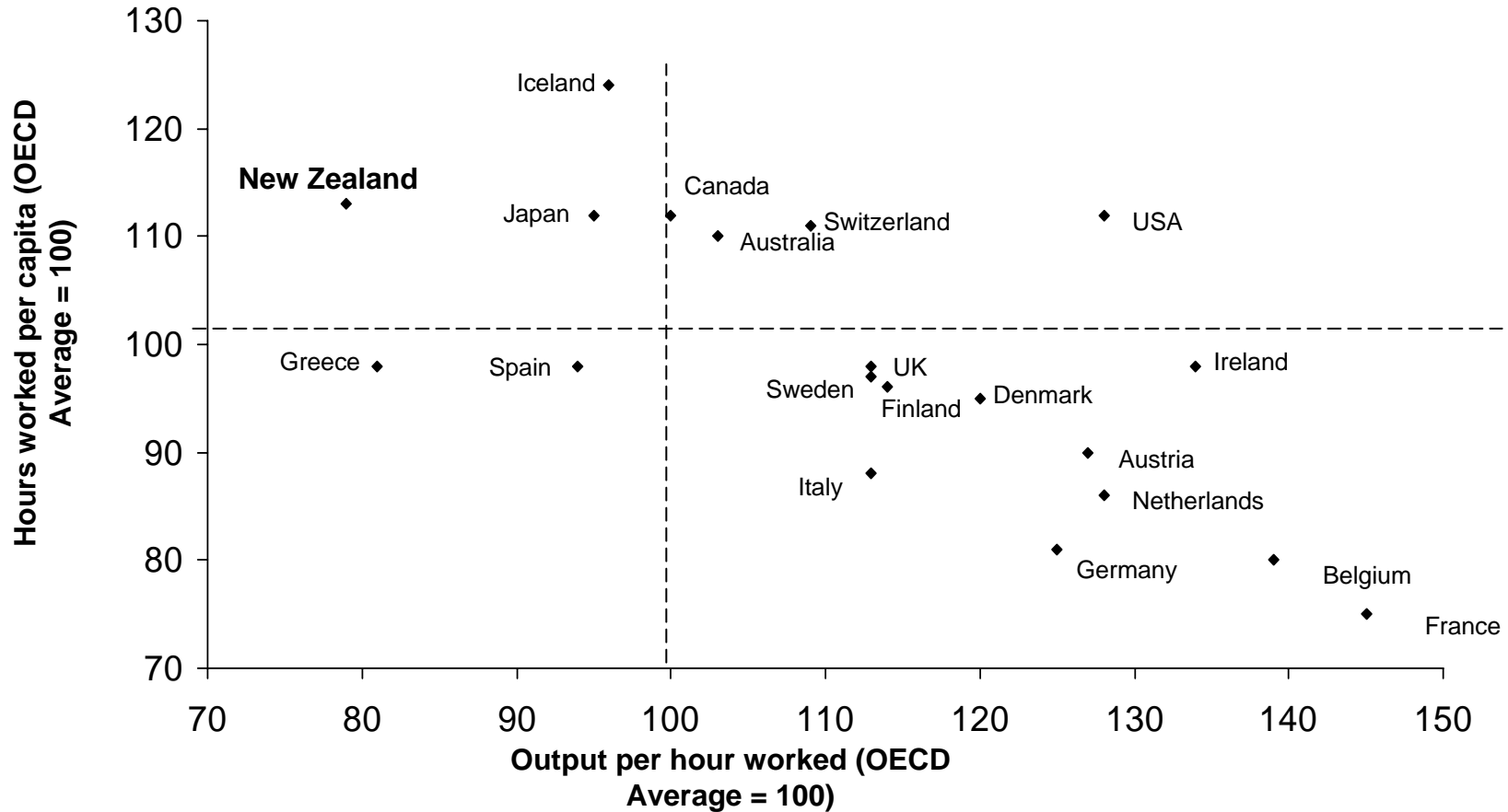
Source: OECD.



TO EXPLAIN NEW ZEALAND'S LOW INCOME LEVELS, WE NEED TO LOOK AT THE DRIVERS OF PER CAPITA INCOME



NEW ZEALANDERS ARE HARD WORKING BUT ARE NOT AS PRODUCTIVE AS WORKERS IN OTHER COUNTRIES



Source: Groningen Growth and Development Centre and the Conference Board, Total Economy Database, August 2005.



2. CURRENT PRIORITIES FOR ACTION TO RAISE PRODUCTIVITY

New Zealand cannot grow its economy by continuing to rely on growing the number of hours worked

The challenge now is to increase labour productivity growth in a substantial and sustained way

Going forward, New Zealand needs to focus on addressing the constraints that impact on New Zealand's labour productivity growth

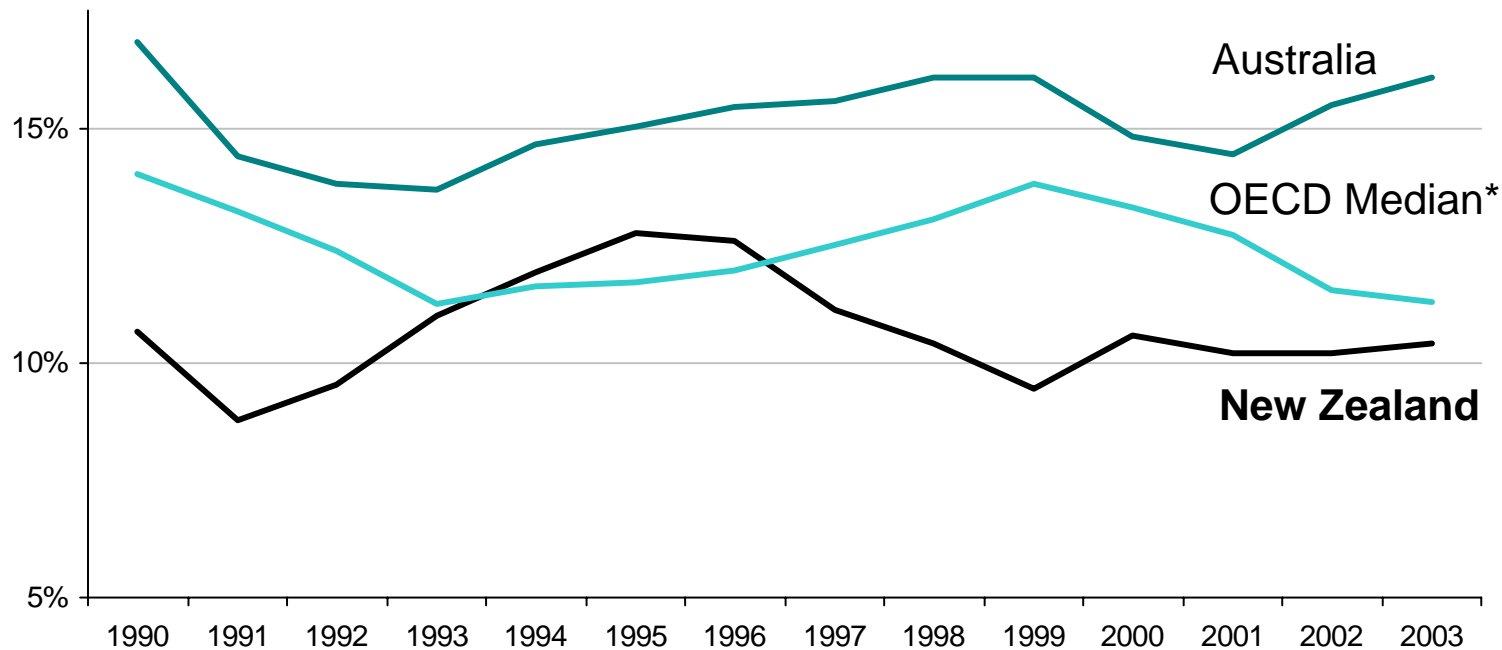
Need to focus on three (related) constraints in particular:

- Low physical capital intensity
- Low investment in knowledge and human capital
- Low levels of international economic engagement



NEW ZEALAND'S BUSINESS INVESTMENT IS LOW

Business Investment as a % of GDP

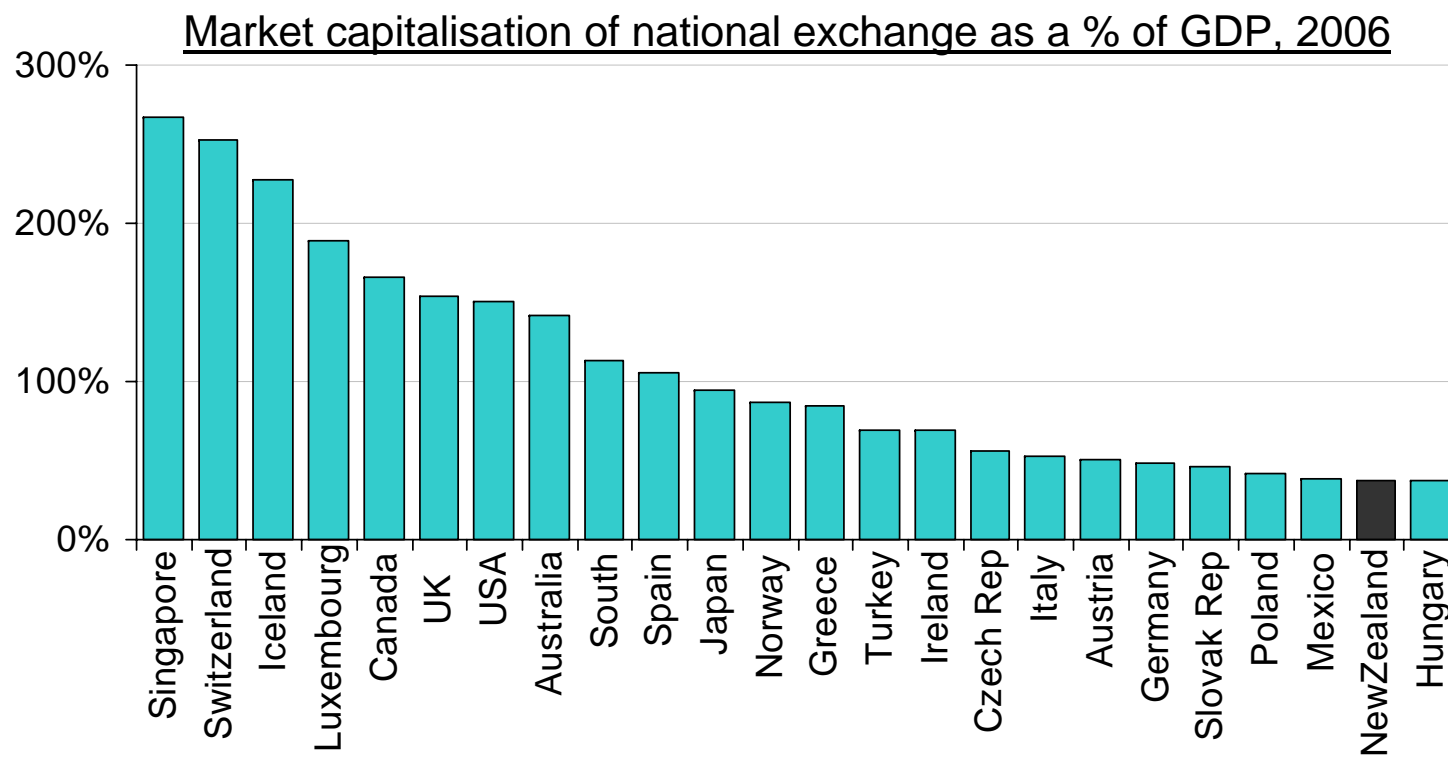


Source: OECD.

*Czech Rep, Luxembourg, Poland, Hungary, Portugal, Slovak Rep, and Turkey not included.



NEW ZEALAND'S CAPITAL MARKETS ARE SMALL

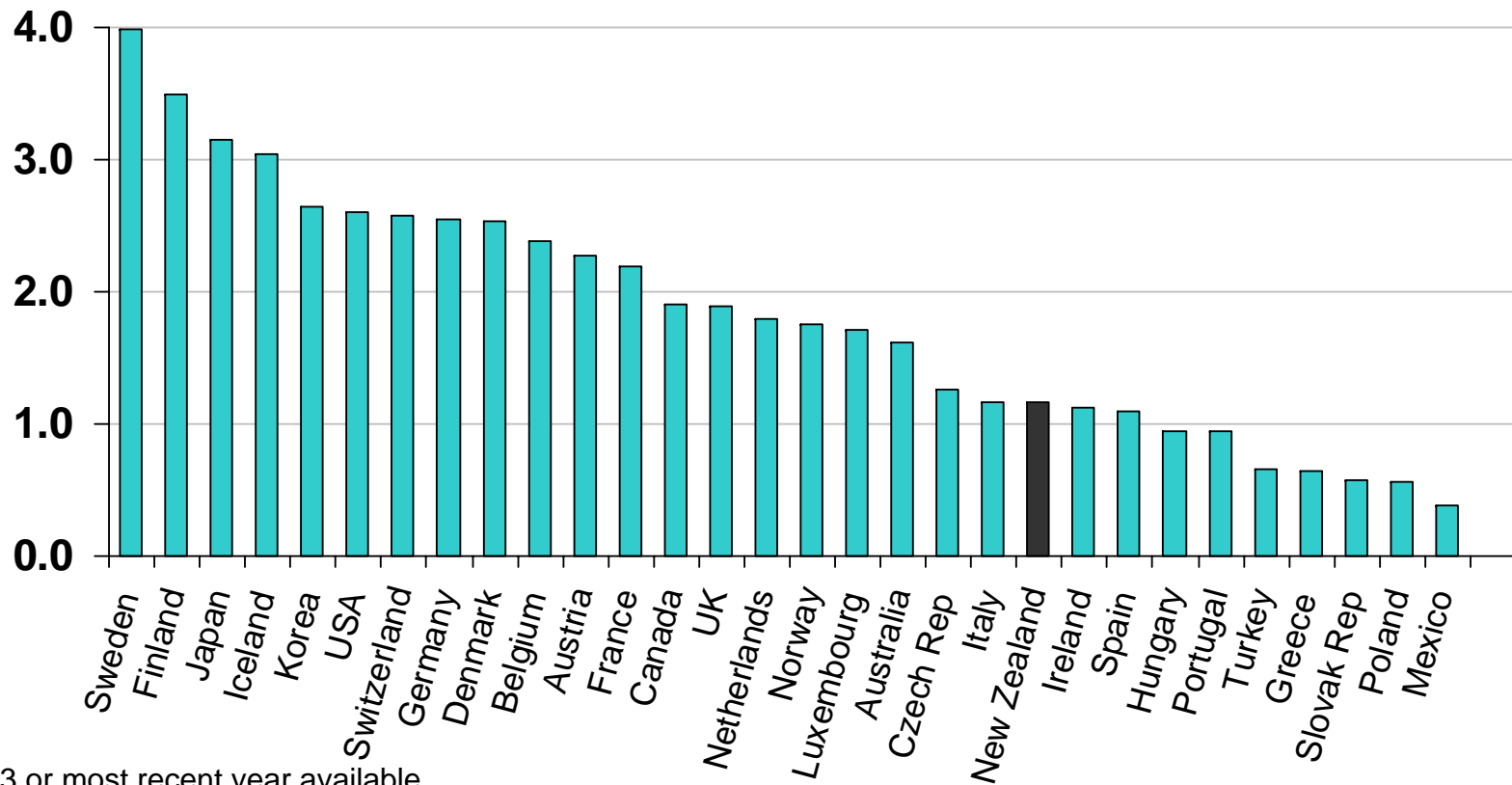


Source: IMF; Deutsche Bank; relevant national exchange for Iceland, Canada, Slovak Rep, and Czech Rep.



NEW ZEALAND'S R&D SPEND IS HALF OF THE OECD AVERAGE

Gross Expenditure on Research and Development (GERD) % of GDP, 2003



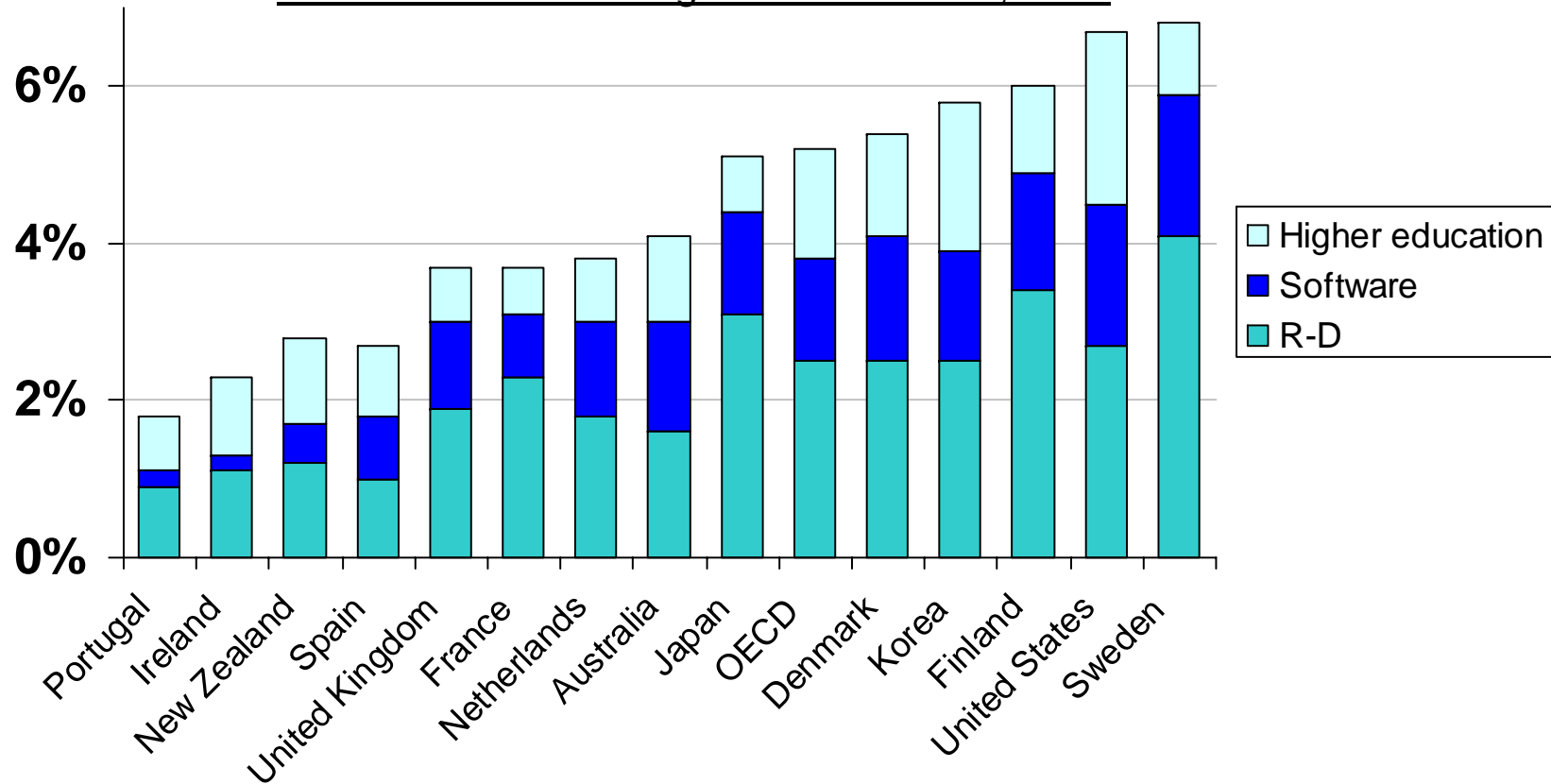
Note: 2003 or most recent year available.

Source: OECD.



NEW ZEALAND MAKES LITTLE INVESTMENT IN KNOWLEDGE

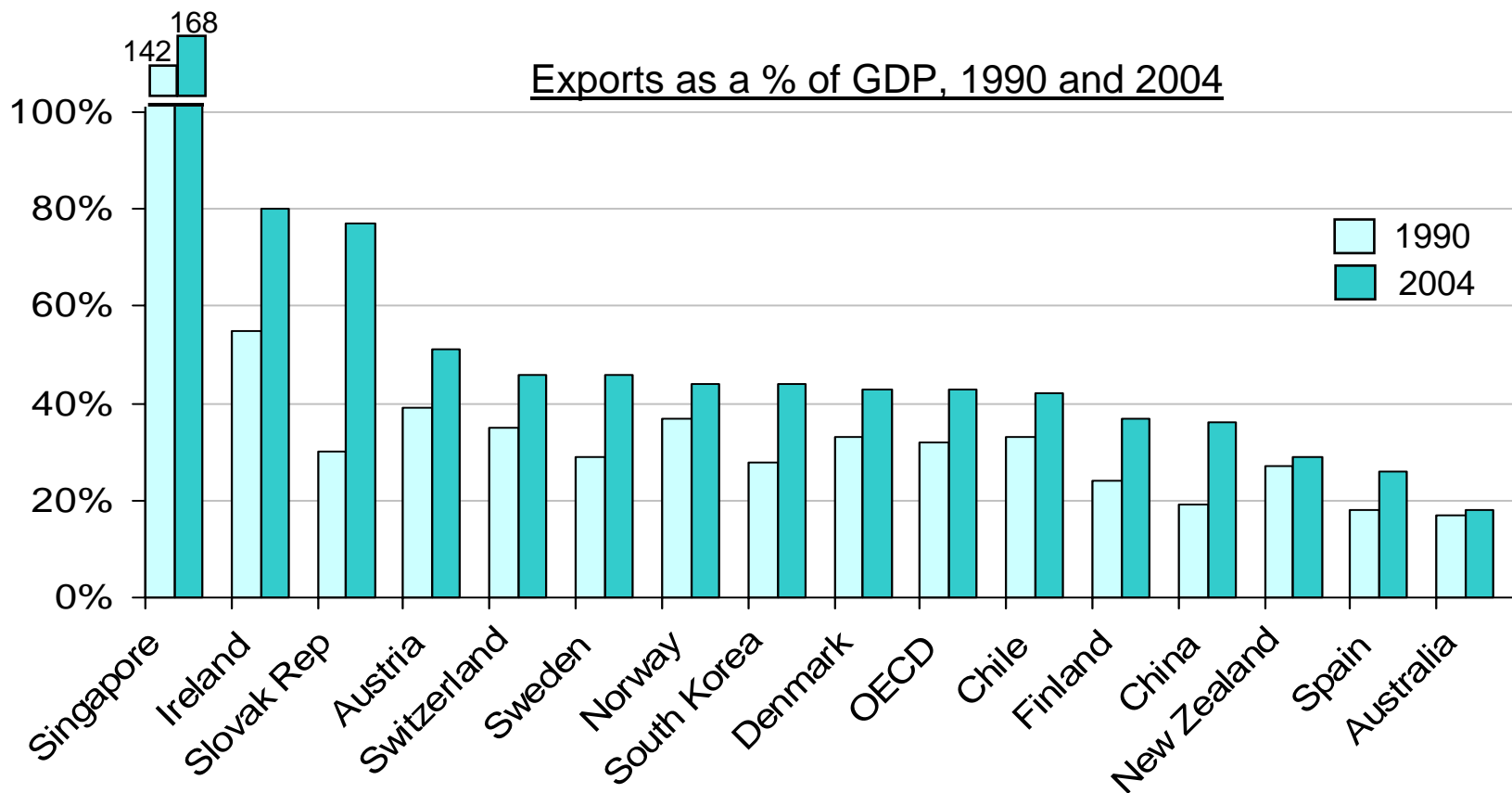
Investment in knowledge as a % of GDP, 2002



Source: OECD.



NEW ZEALAND EXPORTS LESS THAN MOST DEVELOPED COUNTRIES

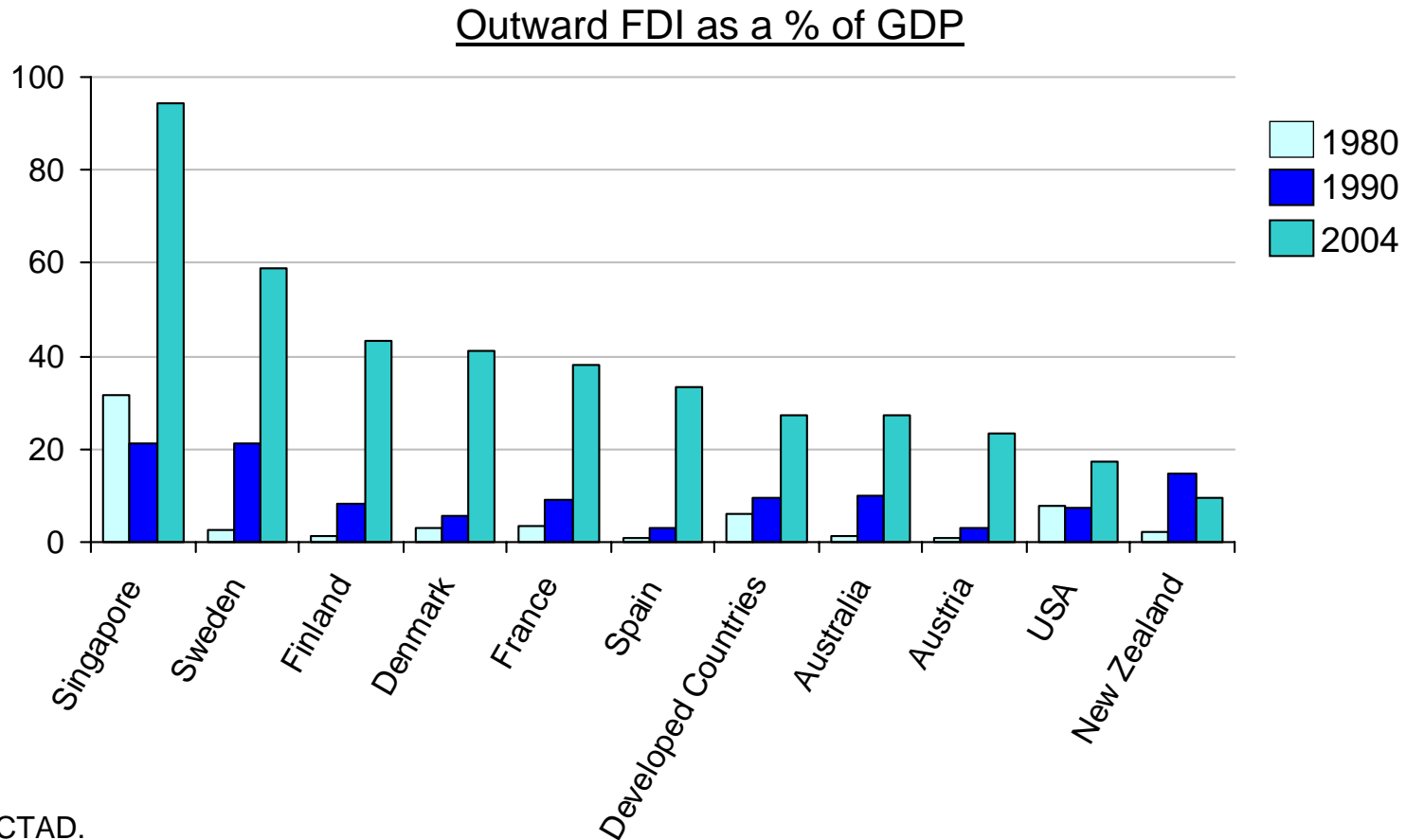


Note: OECD average for 1990 and 2003

Source: OECD; National government statistics for Chile, China, and Singapore



NEW ZEALAND IS DISTINCTIVE IN HAVING A LOW AND REDUCING OUTWARD FDI STOCK



Source: UNCTAD.



3. FUTURE CHALLENGES AND OPPORTUNITIES

Demographics

- Aging
- Ethnic mix

Technology

- Communications
- Processing
- New environments

**THE NEW ZEALAND
OF THE FUTURE**

Environmental Constraints

- Energy availability
- Weather patterns

Rise of Asia

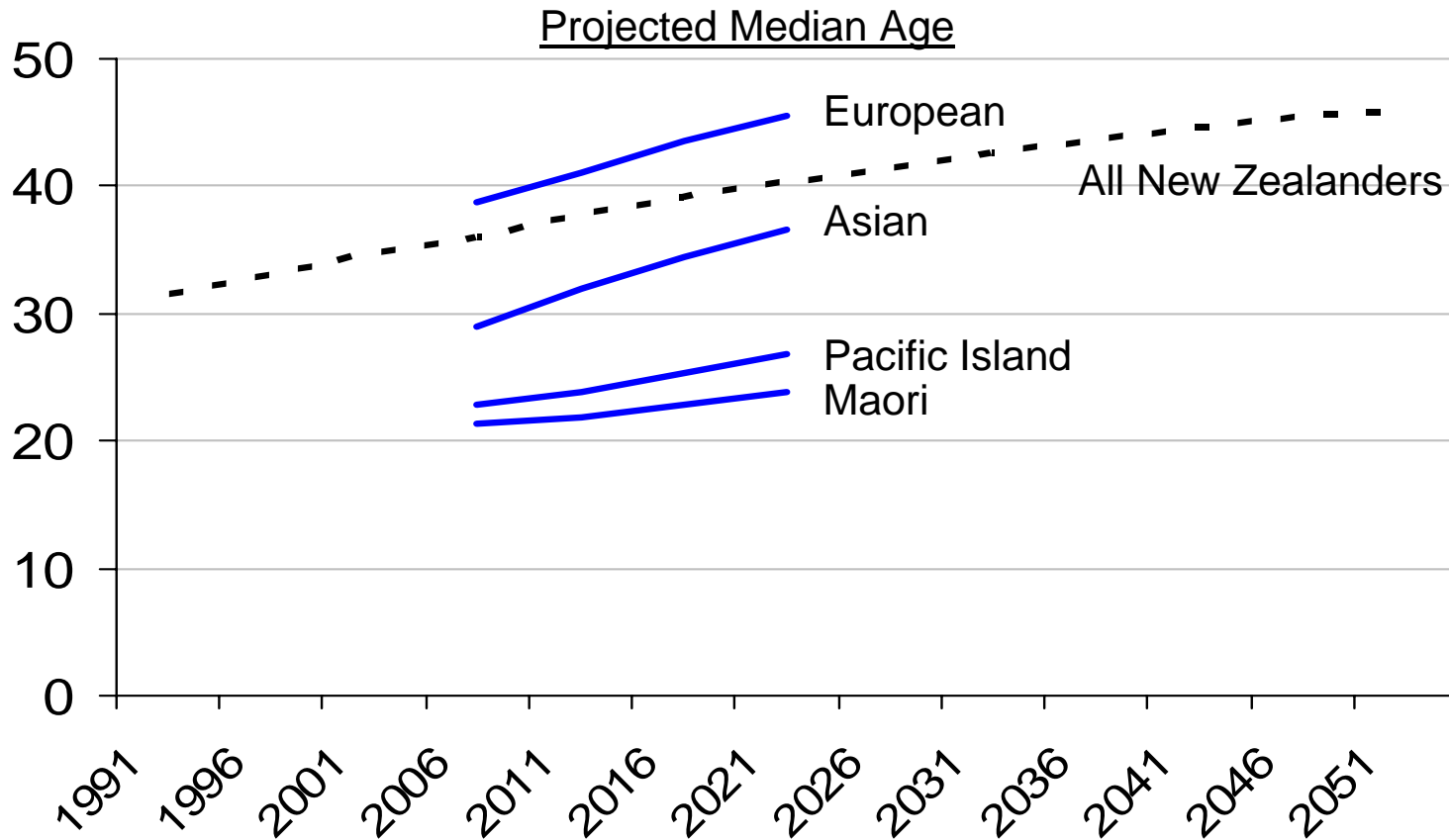
- China and possibly India become global leaders

Globalisation and Agglomeration:

International mobility
of goods, capital,
people



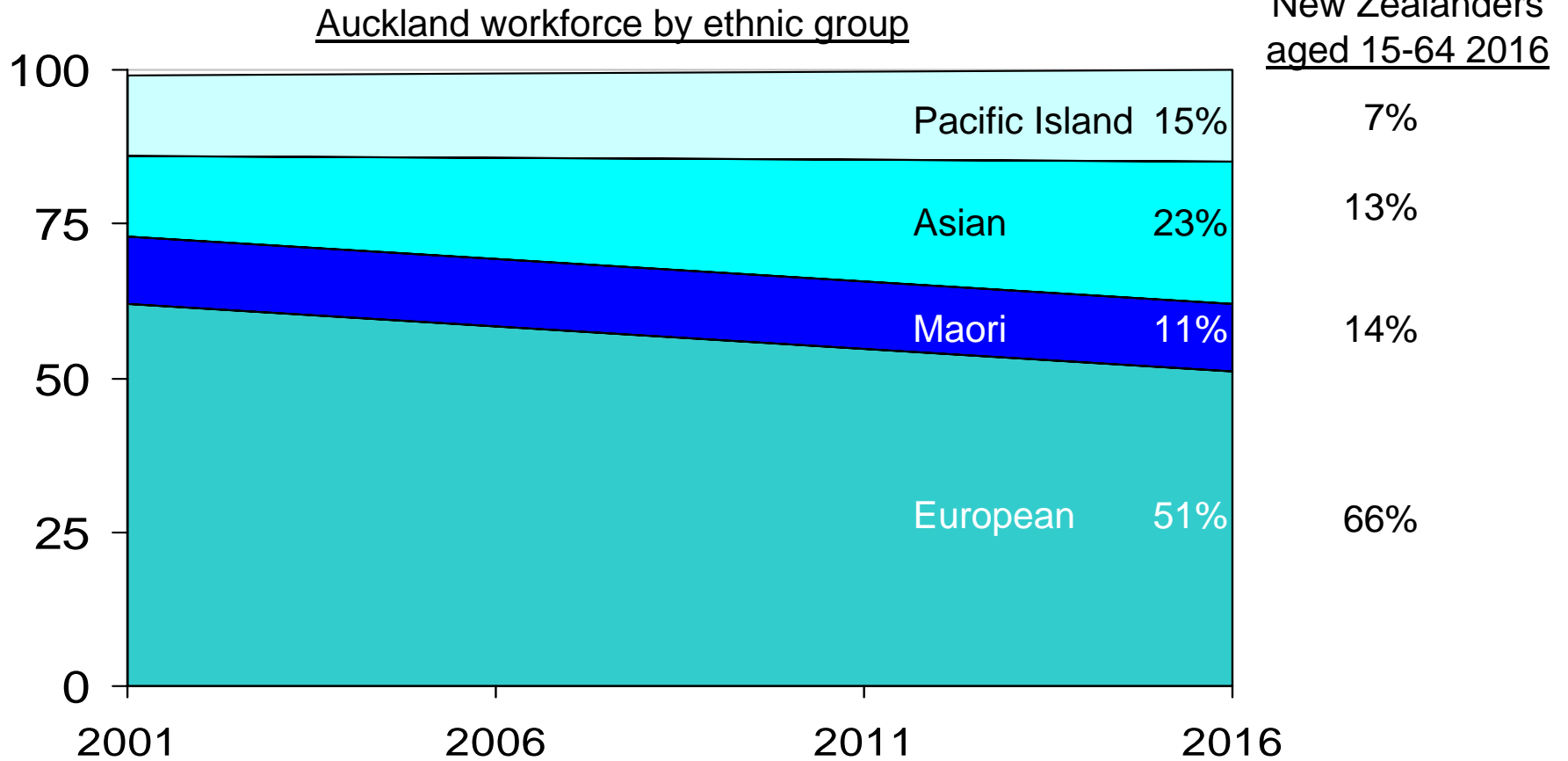
NEW ZEALAND HAS AN AGING POPULATION



Source: Statistics New Zealand.



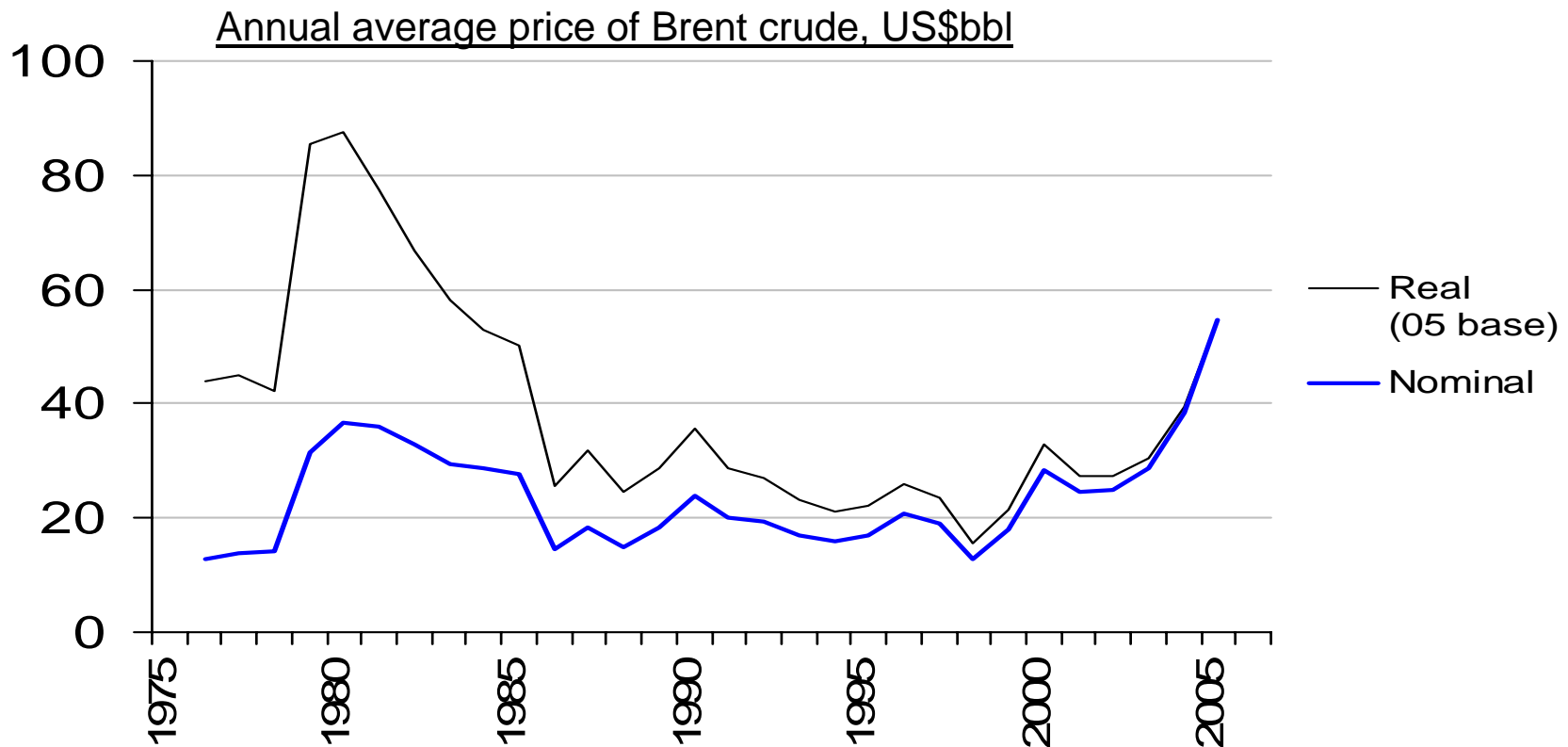
NEW ZEALAND'S POPULATION MIX IS CHANGING



Source: Committee for Auckland.



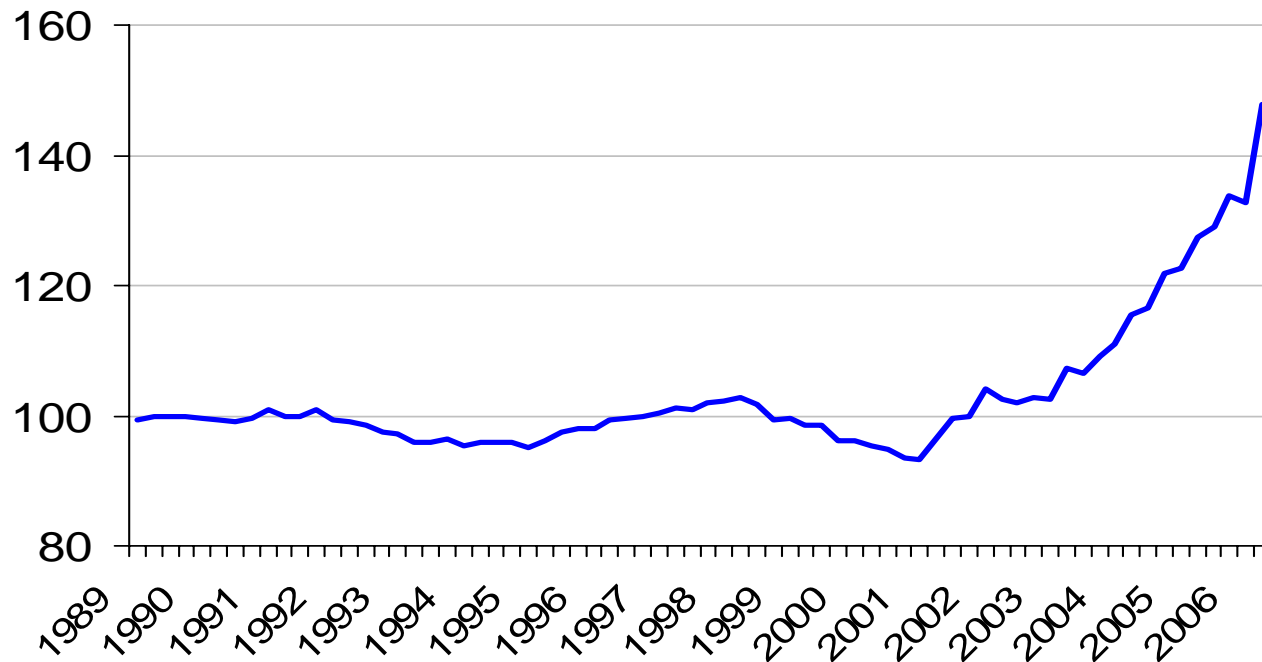
OIL PRICES APPEAR TO HAVE MADE A STEP CHANGE



Source: BP.

THE ERA OF CHEAP ENERGY SEEMS TO BE OVER IN NZ

Index of commercial New Zealand electricity price, base Dec 1996

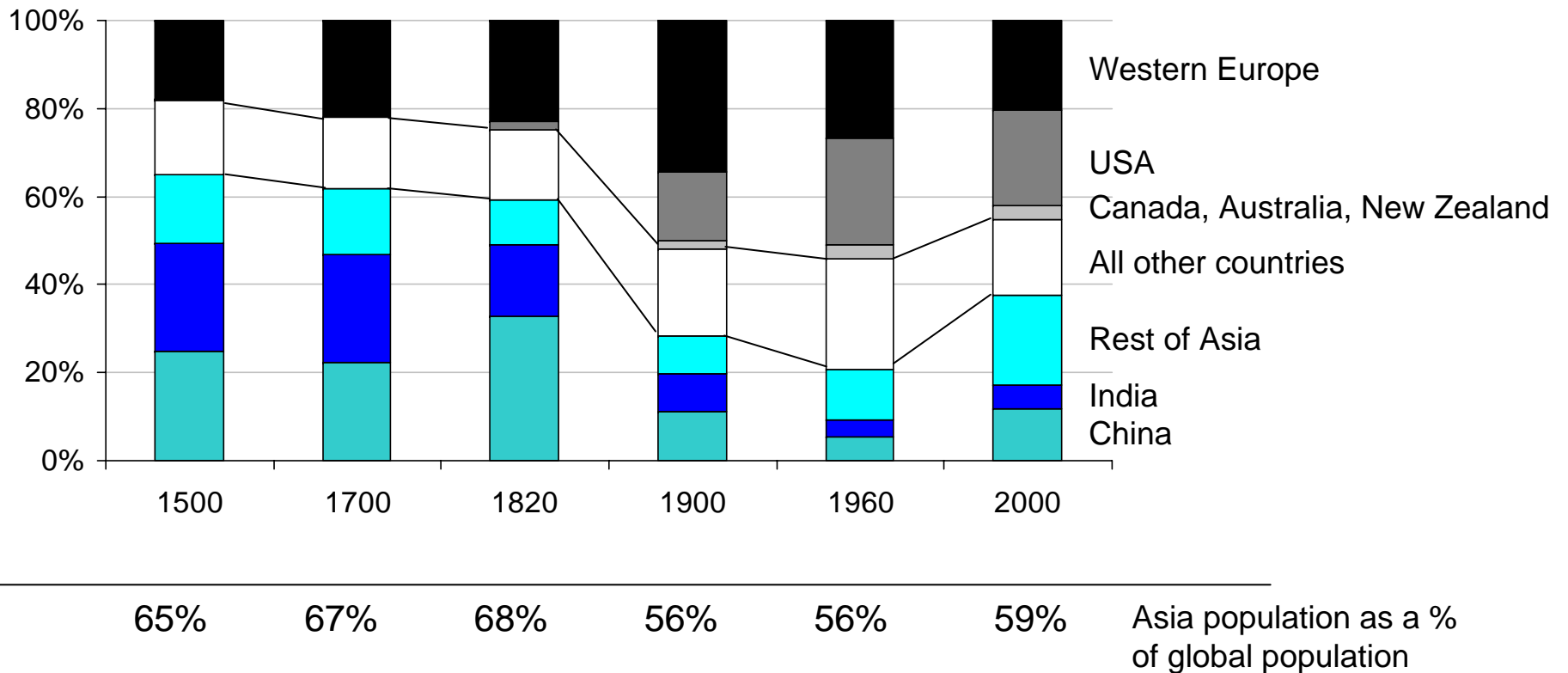


Source: Statistics New Zealand.

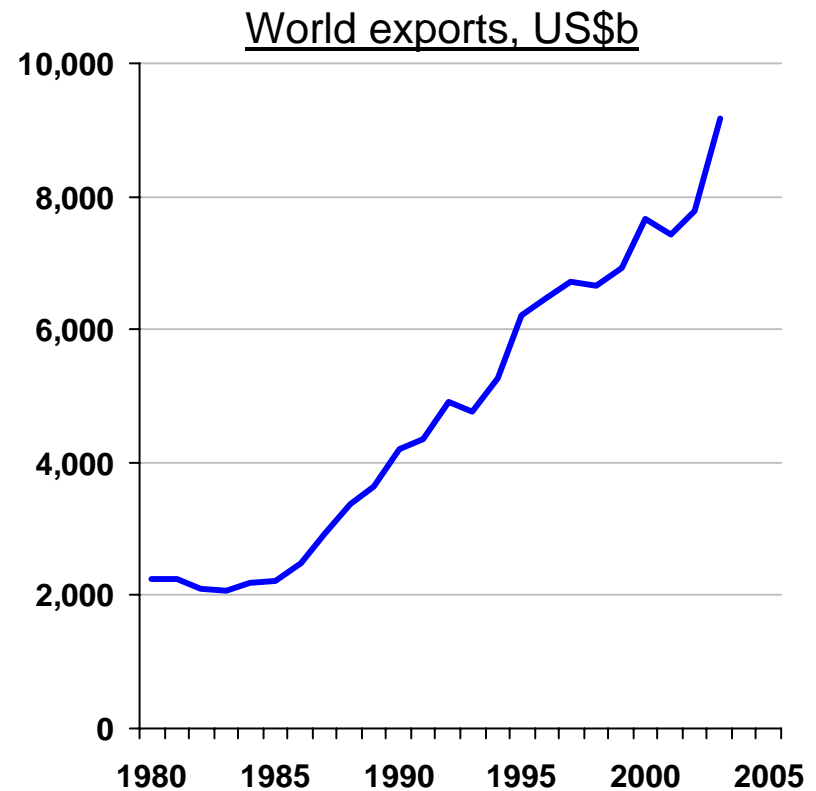
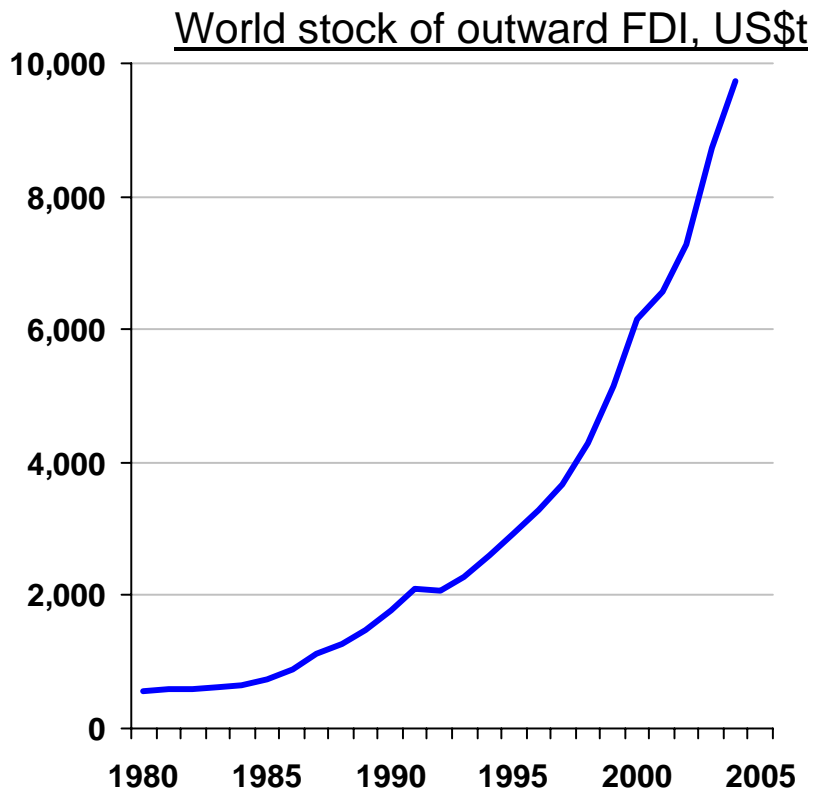


THE ECONOMIC RISE OF ASIA

Distribution of global GDP since 1500



MASSIVE GROWTH IN INTERNATIONAL FLOWS OF GOODS, SERVICES, AND CAPITAL

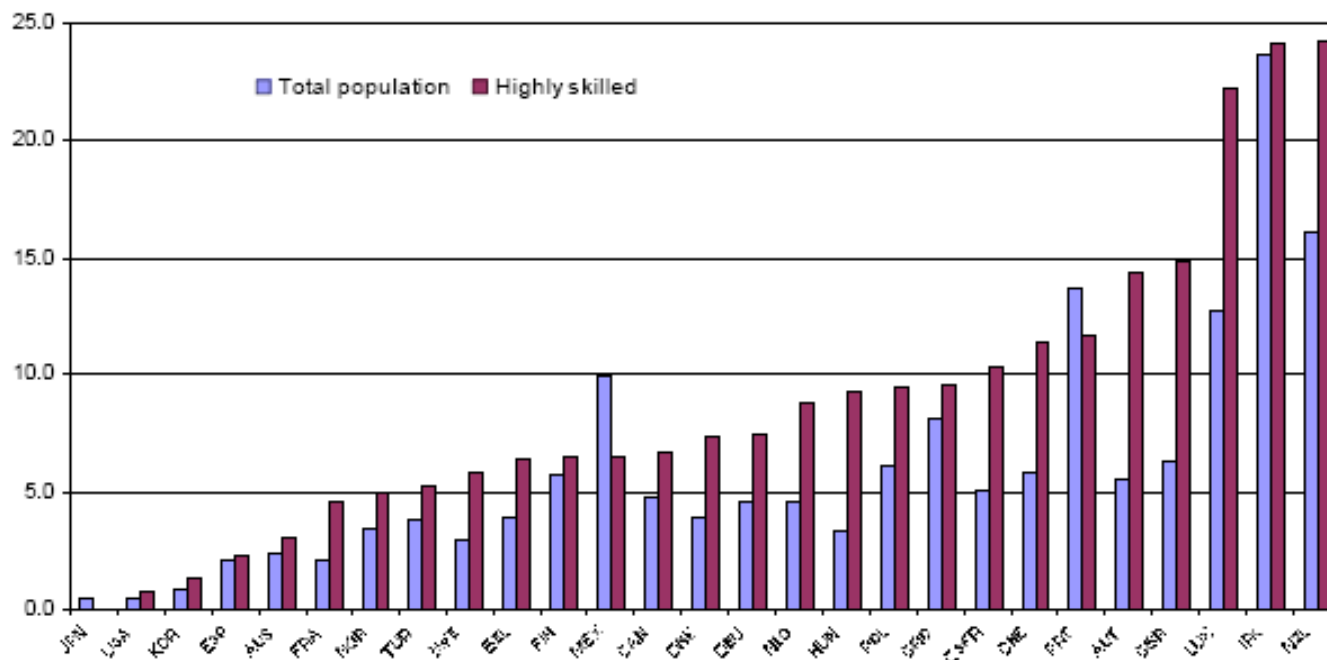


Source: UNCTAD; World Bank.



INCREASING INTERNATIONAL MOBILITY OF PEOPLE

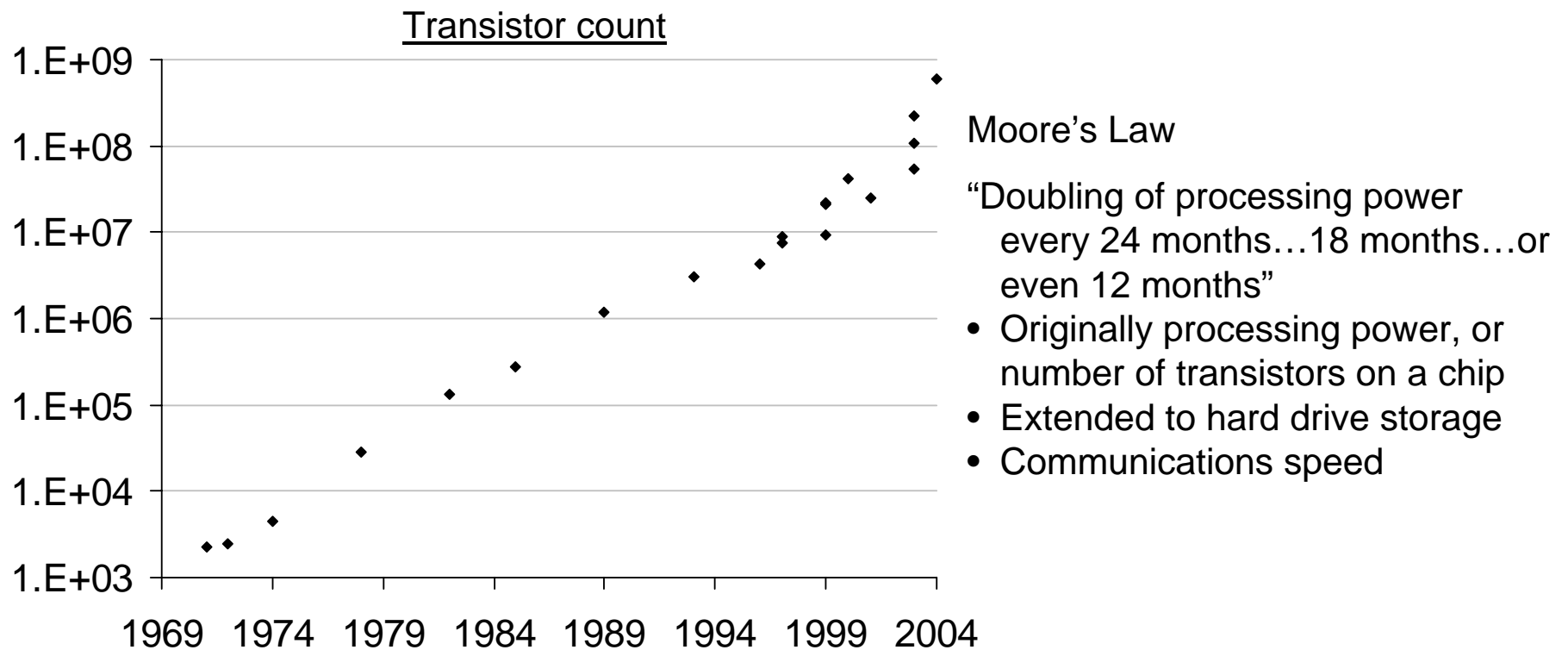
Expatriates as a % of total population and highly skilled population



Source: OECD.



THE TECHNOLOGICAL REVOLUTION CONTINUES

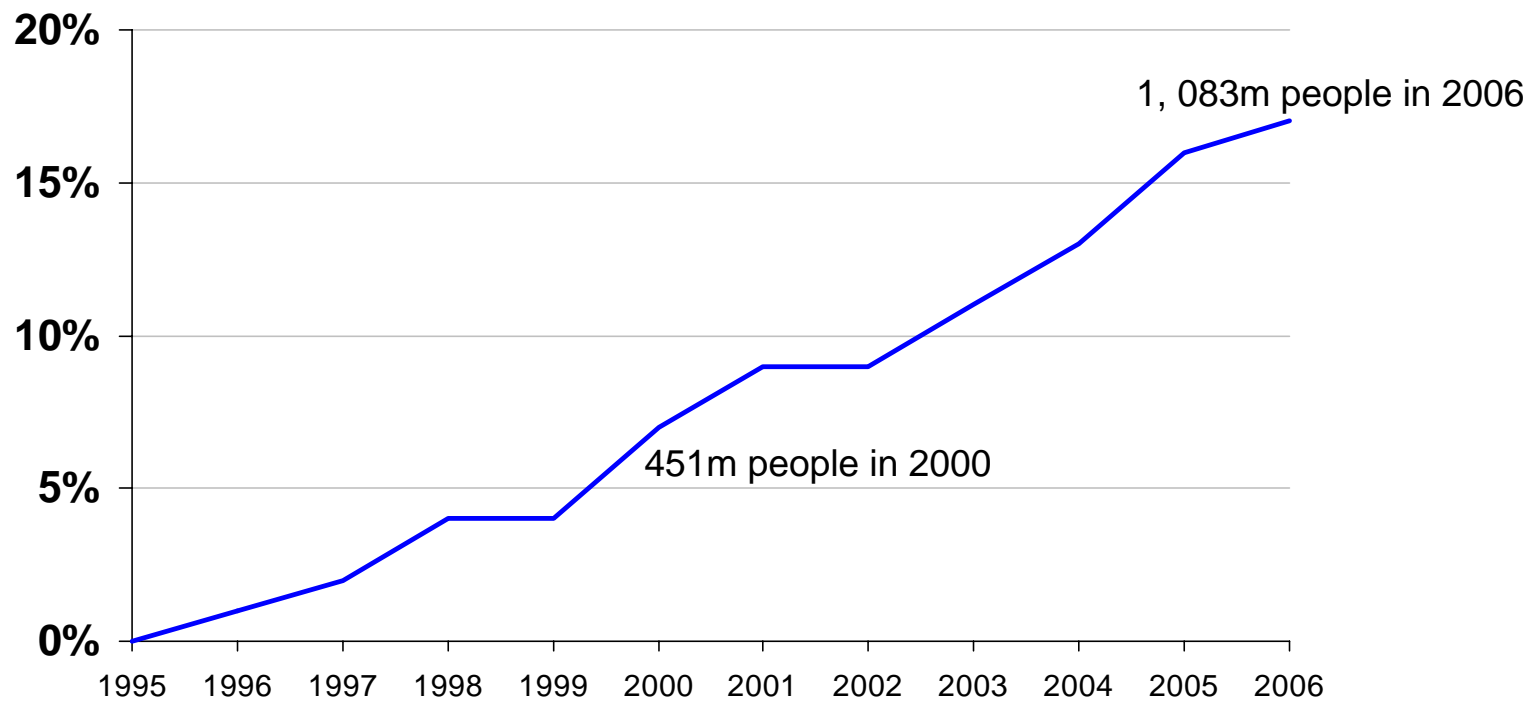


Source: Intel.



RAPID EVOLUTION OF INTERNET FROM 1995

Internet Users as a % of world population, 1995-2006



Source: W3C.



NEW ZEALAND HAS SOME MAJOR CHOICES TO MAKE

There is significant uncertainty about how these trends will play out, and what the future will look like

- Many of these trends are intensely political – politics will play a big role
- There is the potential for unexpected disruptive events to occur, such as pandemics or conflict

But some broad trends can be discerned

Although these trends are often global in nature, and New Zealand is a small country, we do have choices available to us

- We can participate in these processes pro-actively or become increasingly peripheral to the rest of the world

New Zealand needs to prepare – manage the risks and seize the opportunities

- Business and government will need to do things very differently
- The appropriate response is not more of the same



IMPLICATIONS FOR NEW ZEALAND

The significance of many of the constraints facing New Zealand will increase over the next few decades

- Labour shortages, energy prices, changes in global capital markets

Technology offers real potential for the New Zealand economy in terms of moving it to a knowledge intensive economy:

- Not heavily labour and energy intensive
- Allows New Zealand to overcome the tyranny of distance

But to take advantage of this potential, New Zealand needs to gear up and make the required investments

This will require much more than a handful of sensible, but modest, changes – this requires transformation



4. LEADERSHIP AND EXECUTION

Responding to these challenges and opportunities, and achieving a much stronger New Zealand, is much more than a technical exercise

Responding to disruptive changes, and doing things differently, requires creativity, risk-taking, and an ability to bring people along

The factor that will have the most significant bearing on New Zealand's future is not so much the shortage of good analysis or ideas, as much as a shortage of national leadership



THE IMPORTANCE OF BEING A BIT UNREASONABLE

Not I. Some child born in a marvellous year
Will learn the trick of standing upright here
Allan Curnow

The art of walking upright here
is the art of using both feet
One is for holding on.
One is for letting go
Glen Colquhoun



The poster features a vibrant sunset background with a large, colorful floral border at the top. The flowers are in shades of blue, orange, and yellow. In the bottom left corner, there is a photograph of a modern white building with a glass facade. The text is arranged in a clean, professional layout.

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Results through Innovation



Thank You

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special?