



Economy on the Edge: Swan Dive or Belly Flop?

10 October 2008 - The New Zealand Institute and NZX have called for immediate, bipartisan action to ensure New Zealand not only survives, but thrives, under the emerging economic storm conditions.

David Skilling and Mark Weldon today released their draft strategy, "Economy on the Edge: Swan Dive or Belly Flop?". The draft strategy outlines their conviction that "deliberate, serious and proportionate action is required" to ensure New Zealand firms can continue to grow and provide employment for New Zealanders in times of serious capital constraint and economic risk.

The draft strategy states: "New Zealand faces real risks, but also has, with bold action, real opportunities open to it that could see us emerging at the end of this global tumult with an economy that has re-tooled, and is positioned to grow faster than our OECD peers... or not."

"New Zealand is facing one of the biggest economic challenges in several decades, and this demands an immediate, proportionate response by New Zealand's political leaders. What we have seen to date is not close to enough," said New Zealand Institute CEO Dr David Skilling.

"We believe that now is the time for bold, preferably bipartisan, leadership to ensure that New Zealand can weather the storm and emerge quickly and strongly. We understand that this task is complicated by the election season, but business as usual is not appropriate given the changing financial and economic conditions," said Skilling.

The draft strategy outlines a series of immediate, short- and longer-term priorities for action that will have a significant positive impact on the broader economy and the financial system.

Examples include:

- Deferral of provisional tax payments by businesses to year end for at least a two-year period
- 100% tax depreciation on capital investment for the next two years
- Incentives for skilled Kiwi expats and new businesses to relocate to New Zealand
- Creation of an at-scale SOE Holding Company to finance investment and drive global growth.

Longer-term, the strategy calls for compulsory KiwiSaver contributions and the elimination of the tax biases that encourage speculative property investments.

"We have endeavoured to create a non partisan set of actions and practical steps to ensure that New Zealand businesses can both keep their doors open and have strong growth prospects in the future," said NZX CEO Mark Weldon.

"Releasing the strategy in draft form is a reflection of both the urgency of the issues and the desire to stimulate a constructive conversation about the best way forward," said Weldon.

In releasing their draft, Skilling and Weldon are aware that they run the risk of any one of their proposals being picked out and politicised, to the detriment of others. However, this is a risk worth taking.

"We're not blind to the risks but we see the opportunities. And we need to take them now. Of that there is no doubt."

Read the draft strategy and respond on the NZX blog at <http://blog.nzx.com> or by emailing feedback@nzinstitute.org.

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