



THE TREASURY
Kaitohutohu Kaupapa Rawa

Treasury Discussion Document

*Saving in New Zealand –
Issues and Options*

Scope of Discussion Document

- This is a Treasury discussion document
- Its aim is to assist the independent *Savings Working Group* to start its work
- The discussion document highlights some of the critical issues that, in the assessment of the Treasury, will need to be grappled with by the *SWG*

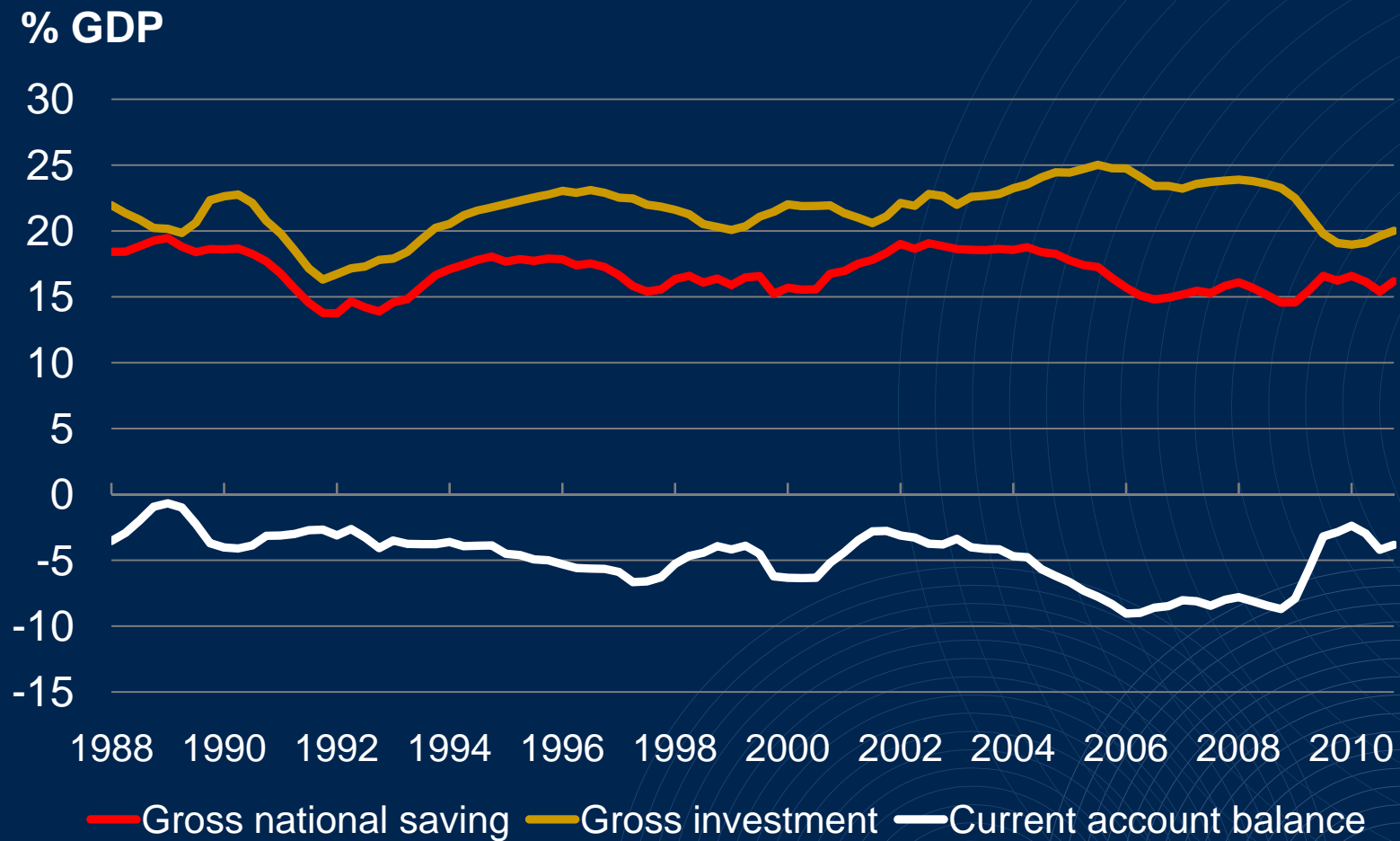
How it fits with the independent SWG

- Government has said that increasing our national saving and investment levels is critical because of high, rising levels of Kiwi indebtedness to the world
- This could make us vulnerable to any unexpected future negative turn of investor confidence

The numbers

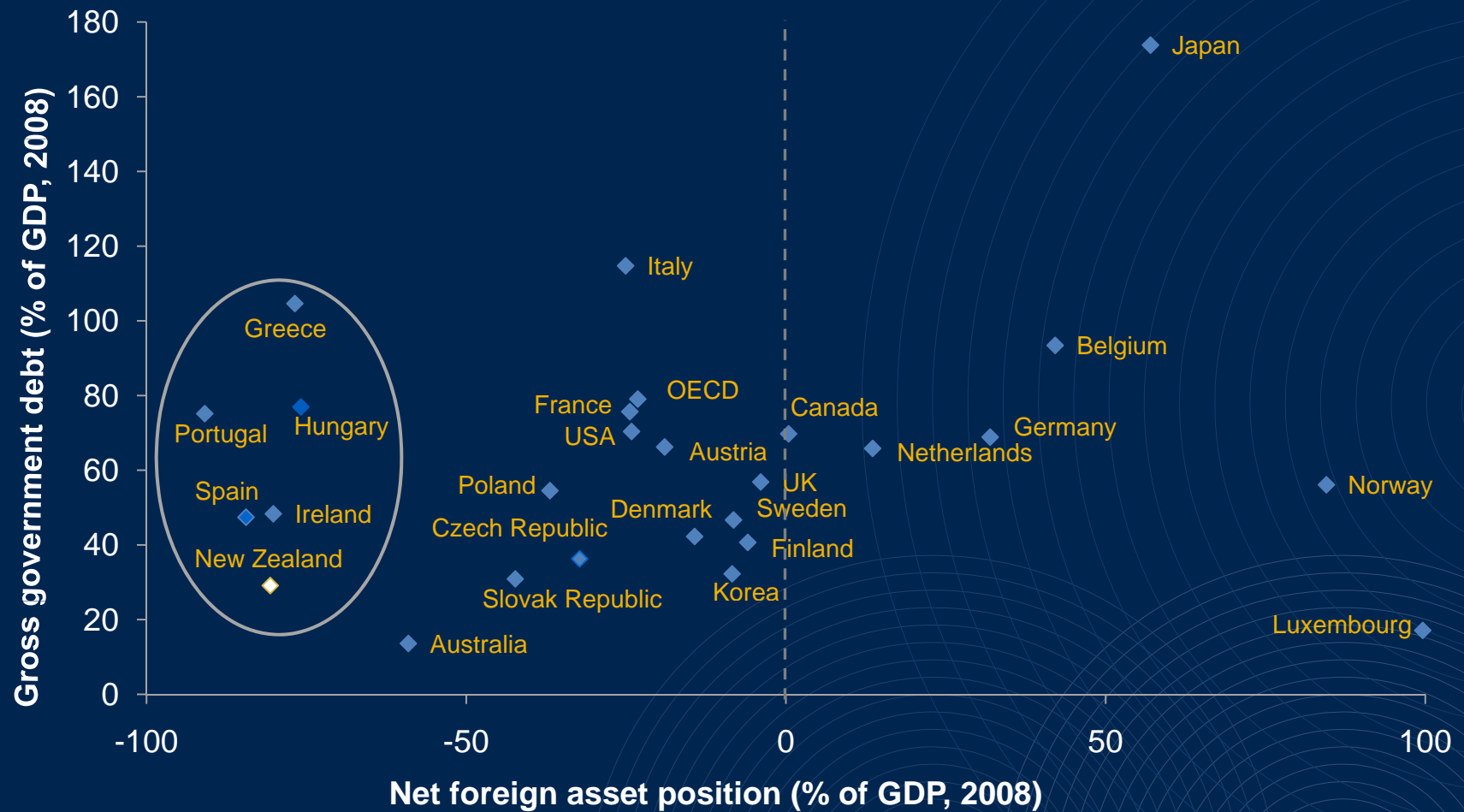
- New Zealand government plus private overseas debt = \$244 billion
- That is equal to 130 per cent of GDP
- Our net foreign asset position = minus 89 per cent of GDP at 31 March
- That is up from 79 per cent a decade ago

Saving and investment in NZ



Source: Statistics NZ, Treasury

Government debt and net foreign asset position



Source: OECD, IMF, Treasury

NZ's imbalances are forecast to widen

Net foreign debtor position as a ratio to GDP



Source: Statistics NZ, Treasury

New Zealand economy faces two key challenges

- Reduce vulnerabilities
- Raise our rate of economic growth



Saving in New Zealand - Issues and Options

- Why do we care about national saving?
- How much of a problem is it?
- What can we do about it?



Why do we care about national saving?

- NZ is vulnerable to unexpected economic shocks
- Low saving may be affecting our growth performance



How much of a problem is it?

- The evidence is mixed
- Prudence requires well-considered responses to reduce NZ vulnerabilities



What can you do about it?

- These are complex issues – no magic lever available
- SWG to consider the things that the government might be doing which are getting in the way
- A package of changes could have a significant impact on people's behaviour over the long-term



Conclusion

- What this document is
- And what this document is not
- The Treasury is not anticipating submissions on this document
- Independent *Savings Working Group* has a process for obtaining views and submissions from the public