

MEDIA STATEMENT - for immediate release

7 September 2010

## **Savings Working Group starts with the Big Picture**

The Savings Working Group focused at its first meeting on New Zealand's immediate economic situation and the challenges it poses for our future.

The Savings Working Group's first meeting was held on 3-4 September. The group focused on the persistent balance of payments deficits leading to a very high level of net foreign obligations and debt (think Ireland, Spain and Greece); relatively low per capita levels of GDP and wealth - which are growing slowly compared with many other countries; the relatively low stock of capital in the business sector; and New Zealand's poor productivity performance.

Many of these have links with savings, and the group discussed the nature and implications of the linkages and how they might fit into its work programme. Amongst a number of important issues were New Zealand's high dependence on foreign capital and how market shocks - including a foot and mouth outbreak or a natural disaster - could affect national savings; and the implications of the low capital-labour ratio.

The group also had an initial discussion on a wide range of savings related issues, including the availability and quality of relevant statistics, the main issues in relation to the Government, household, business and external sectors, the significance of inflation, taxation (in various forms), markets and regulation. It also considered, in broad terms, the likely implications of different levels of national savings and of savings sector by sector.

The discussions identified a substantial number of significant issues, extensive data and information requirements and a somewhat clearer basis for tackling the group's work programme.

An interesting, overarching question facing the group is: How is New Zealand engaging with a dynamic, globalizing economic environment? The preliminary answer from a

savings perspective might be: not very well. But the group has a lot of work to do before a more soundly based answer can be given.

The Savings Working Group decided:

- To invite, via its website, submissions on matters within its Terms of Reference.
- To approach a number of experts for information and advice on current savings-related research.
- To alert organizations with a particular interest in Savings to the invitation for submissions.

The Savings Working Group's next meeting will be towards the end of September 2010.

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