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2025: The Year of the Grinch

New Zealand's tiny economy, heavily dependent on exports in a world increasingly dominated by rising tariffs and other trade barriers, is facing a perfect storm. Productivity is stagnating, the country's best and brightest are seeking more lucrative careers overseas, and despite growing unemployment, businesses are struggling to find workers to sustain economic growth. This is, by any definition, a crisis.

The NZ Government appears ill-equipped to reverse this trajectory, hampered by a shrinking tax base and ballooning debt. In the immediate term, much of New Zealand's fate lies beyond its borders, as the economic conditions in key export markets will ultimately dictate the country's fortunes.

International Challenges

Globally, the economic landscape is deteriorating. Voters in many nations are responding to uncertainty by favouring conservative solutions that focus on limiting inflation and addressing declining living standards. Protectionist policies are becoming more prevalent, creating challenges for a small, export-reliant economy like New Zealand's. Additionally, there is mounting hostility toward mass migration, even as aging workforces threaten growth.

Meanwhile, climate change continues to wreak havoc with devastating floods and wildfires, but voter resistance to environmental initiatives is growing. Cultural conflicts, particularly over race and transgender rights, are further polarising political factions, diverting attention from pressing economic and environmental issues.

Domestic Implications

One silver lining for New Zealand is its falling exchange rate. Exporters, particularly in agriculture and horticulture, are benefiting from higher returns when overseas earnings are converted into NZ dollars. However, the rising costs of imports—such as fuel, fertiliser, and chemicals—are eroding these gains. Regrettably the net effect is that any boost from exports is largely offset by the escalating costs of production.

Innovation, another critical lever for economic growth, is also under threat. Government cutbacks and instability in the research and development sector have created conditions ripe for decline. Talented researchers are leaving the country, and projects that could drive transformative growth are left unfunded and unmanned.

Ideas to Reverse New Zealand's Economic Decline

New Zealand stands at a crossroads, facing significant economic challenges that demand bold, strategic action. To reverse the current decline, the country must embrace a multi-pronged approach that builds resilience, fosters innovation, and ensures prosperity for future generations. Here the Government and industry need to become partners to effect the change that is needed.

Strengthening Trade Relationships

New Zealand's heavy reliance on a few trading partners makes it vulnerable to global shifts. Diversifying export markets and exploring emerging regions with high demand for agricultural and horticultural products can reduce risks. Continuing to negotiate favourable trade agreements will help counter protectionism and keep exports competitive.

Boosting Innovation and R&D

Innovation drives economic growth, but a lack of investment and talent retention is holding New Zealand back. Incentivising private sector R&D through tax breaks, attracting skilled researchers, and focusing on green tech can position the country as a leader in sustainable industries.

Enhancing Workforce Capability

A skilled workforce is key to overcoming our current stagnation. Continuing the reform of education to emphasise STEM and high-demand skills will prepare future workers. Sorting out vocational education to provide on the job training in key export industries will increase productivity. Evolving immigration policies to fill key and skilled labour shortages will bolster the economy.

Fostering Economic Resilience

Government partnering with and supporting SMEs, farmers and growers, the backbone of our NZ economy, through tax breaks and targeted funding will drive local growth and innovation.

By focusing on these priorities, New Zealand can rebuild its economic strength, fostering resilience and prosperity for all and turn the year of the Grinch into one of prosperity.