

Future Economic Thinking: how will the changing social and economic landscape impact on our future development patterns?

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AERU – 50+ years old

- Wellbeing economics
- Economic futures - Ministry of Transport
- Economic Development Modelling - Sector Selection Model
- Trade Modelling - LTEM
- Consumer research - Choice Modelling - Food attributes; water use; biodiversity.



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International Growth literature

- Economic growth model – people based
- So a key policy is to allow business to operate
- Enhance the ability of people to obtain skills and move to where they can add most value
- Create stable macro environment for business
- Market the best to determine location and type of business
- NZ good record of being ‘business friendly’



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Economic Geography – Place based

- Agglomeration – OECD study shows highest growth in cities but these are the LARGE cities.
- Agglomeration argued to be best for knowledge based economies - some evidence this weakening given more recent changes in technology.
- Don't ignore the regions as whilst lower % growth rates from these, most growth comes from them.
- (2.4% of regions contribute 27% of growth BUT 97.6% remaining still account for 73%)



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NZ/Regional development

- The growth models from literature ok for large economies.
- Small countries do not have scale to be generic.
- Growth rates of small countries tended to outperform large countries – as more fleet of foot and can specialise.
- Small countries can do consensus around specialist growth.
- **NZ relative poor performance argued to be because it is an isolated small country with outdated view of global economy and needs to be more strategic.**



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The future – NZ development

- To maintain and/or grow our wellbeing need to concentrate on high value add not low cost
- Obtain from our export markets a premium on what we all are good and passionate about
- So need to see which markets and segments to target and how to communicate with these
- Play to our specialities (regionally and nationally)



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Credence Attributes

- Sustainability
- Ethical food – fair trade, organic!
- Carbon and water footprint
- Nutritional content – additives
- Local and seasonal consumption
- Biodiversity and wildlife
- Water quality and quantity
- Animal welfare



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Emerging markets

- Culture in NZ sometimes of we will feed the emerging countries and credence attributes are less important
- Growth in China (FTA) potential in India (very controlled market) and Indonesia
- So is the concern for credence attributes not warranted???



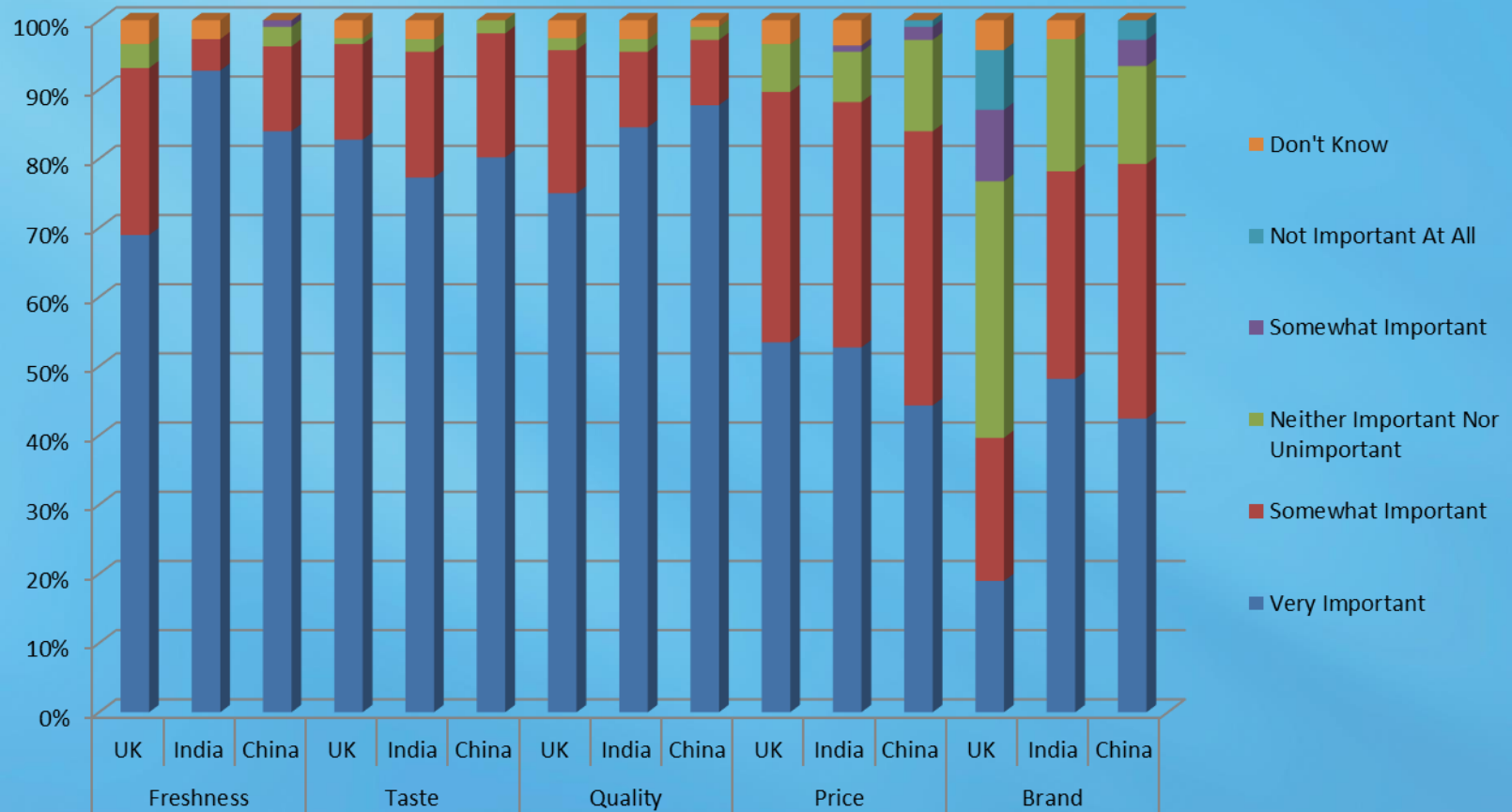
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Importance of attributes of NZ food products



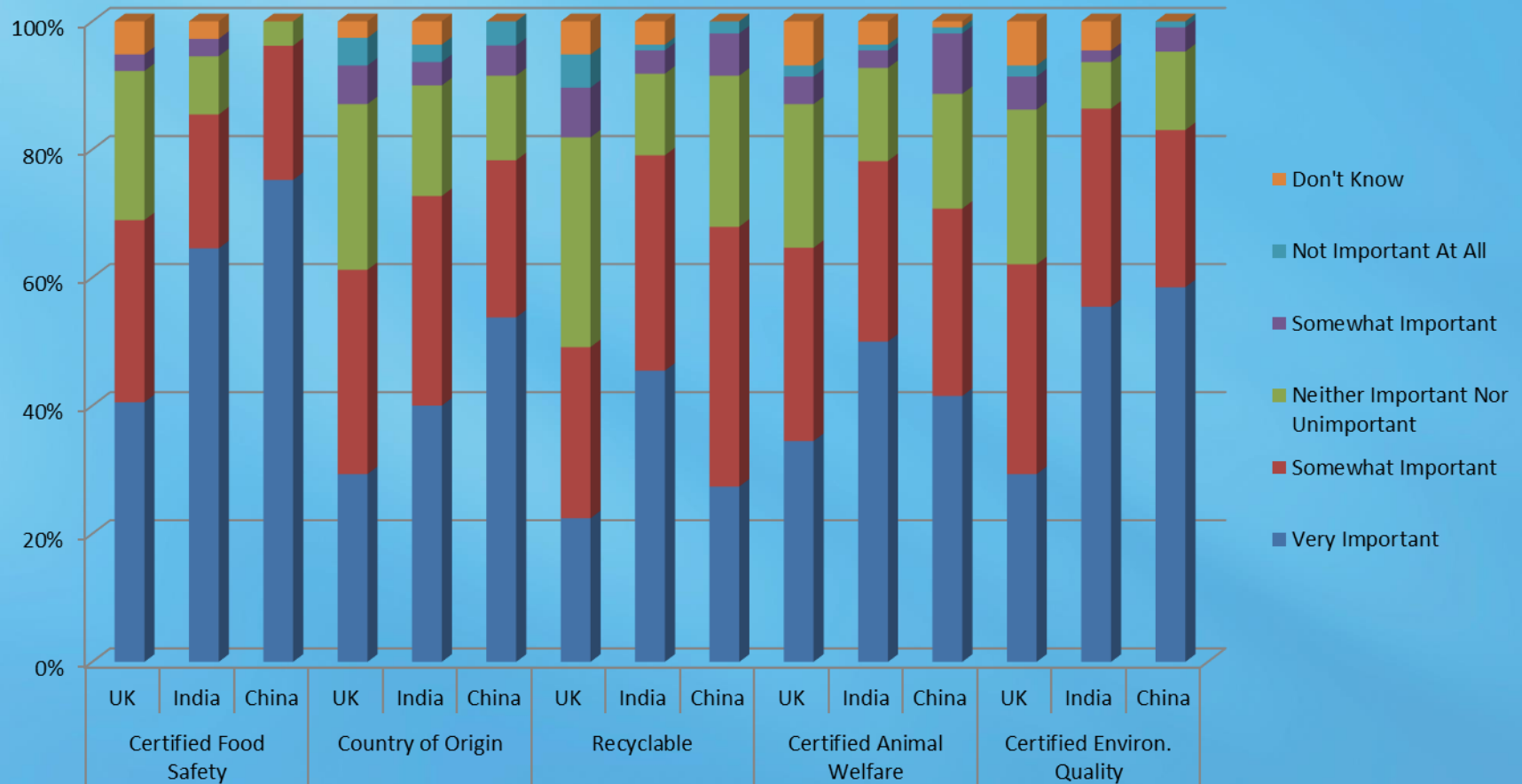
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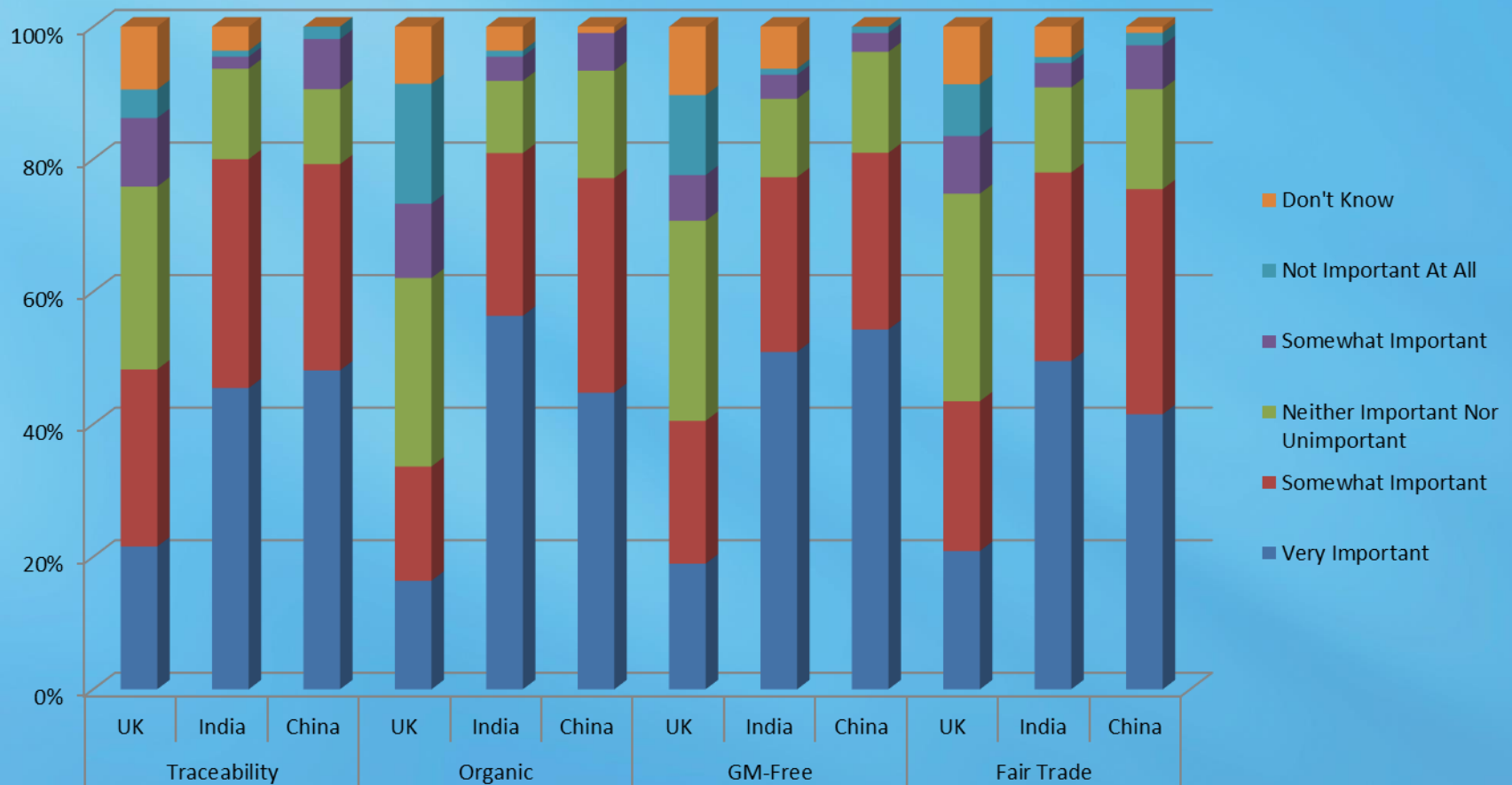


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Importance of attributes of NZ food products



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WTP of attribute as % of product price in China, India and the UK

	China		India		UK	
	Dairy	Lamb	Dairy	Lamb	Dairy	Lamb
Safety	74%	44%	73%	77%	16%	18%
Welfare	26%	13%	42%	41%	17%	22%
Water	16%	12%	19%	26%	3%	7%
GHG	25%	14%	38%	39%	7%	7%
Biodiversity	22%	15%	27%	42%	6%	6%
Foreign Origin	26%	10%	-20%	-	-4%	-5%
NZ Origin	49%	24%	10%	21%	3%	6%
Notes:	WTP derived using Krinsky and Robb method.					



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Maximising Export Returns – 3 years

3 parts

- Customer & consumer research
- Trade modelling
- Evaluation of alternative technologies in accessing markets



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Media Marketing

- Online shopping has grown in importance internationally:
 - 50% of consumers shopped online for groceries
 - Up to 7% of total grocery shop is online in some countries
- Success in this medium may depend on:
 - interaction with the consumer, effectiveness of content, and consumer willingness to receive this information
- Smartphone and other mobile device use has increased
- The use and integration of mobile technologies with social media is increasing (i.e. QR codes, Baa codes)



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Mobile Devices

- Mobile apps are the main vehicle for smartphone-based marketing, with retailers developing their own apps for use in loyalty programmes, outlet location and other marketing activities.
- Consumers prefer to use QR codes over any other form of mobile marketing (i.e. SMS marketing)

Tesco's South Korean arm HomePlus's use of QR codes in billboard advertising acting as the main point of sale increased the retailer's online sales by 76%.



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Pilot survey snippets

Use mobile phone to sometimes purchase food..

33% India 5% UK!!!!!!

Use social media, web pages, and food blogs for information on food

50+% India <3% UK!!!!!!

Online % food purchases

35% India 19% UK

Why? prices lower 26% (India and UK) home delivery 59% UK and 53 % India; **overseas food (19% India and 8% UK)**



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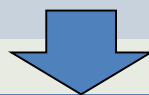


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MOT – Economic Development and Transport

Objective 1

To improve understanding of how economic development may occur and how these aid New Zealand to thrive



Objective 2

Identifying future development pathways that New Zealand may face



Objective 3

Identifying the impact upon transport investment and infrastructure of the various economic futures

Develop Long term research partnership between MoT and AERU

Alternative scenarios

- Baseline (Treasury & StatsNZ growth projections)
- Mineral exploitation – (eg: Gisbourne)
- Agriculture – (more irrigation!)
- BGA or equal Australia GDP/ha - knowledge base
- Optimum sectors – Sector Selection model
(extra 1.5% growth rate in ppp gdp/ha)
- All against different growths in location



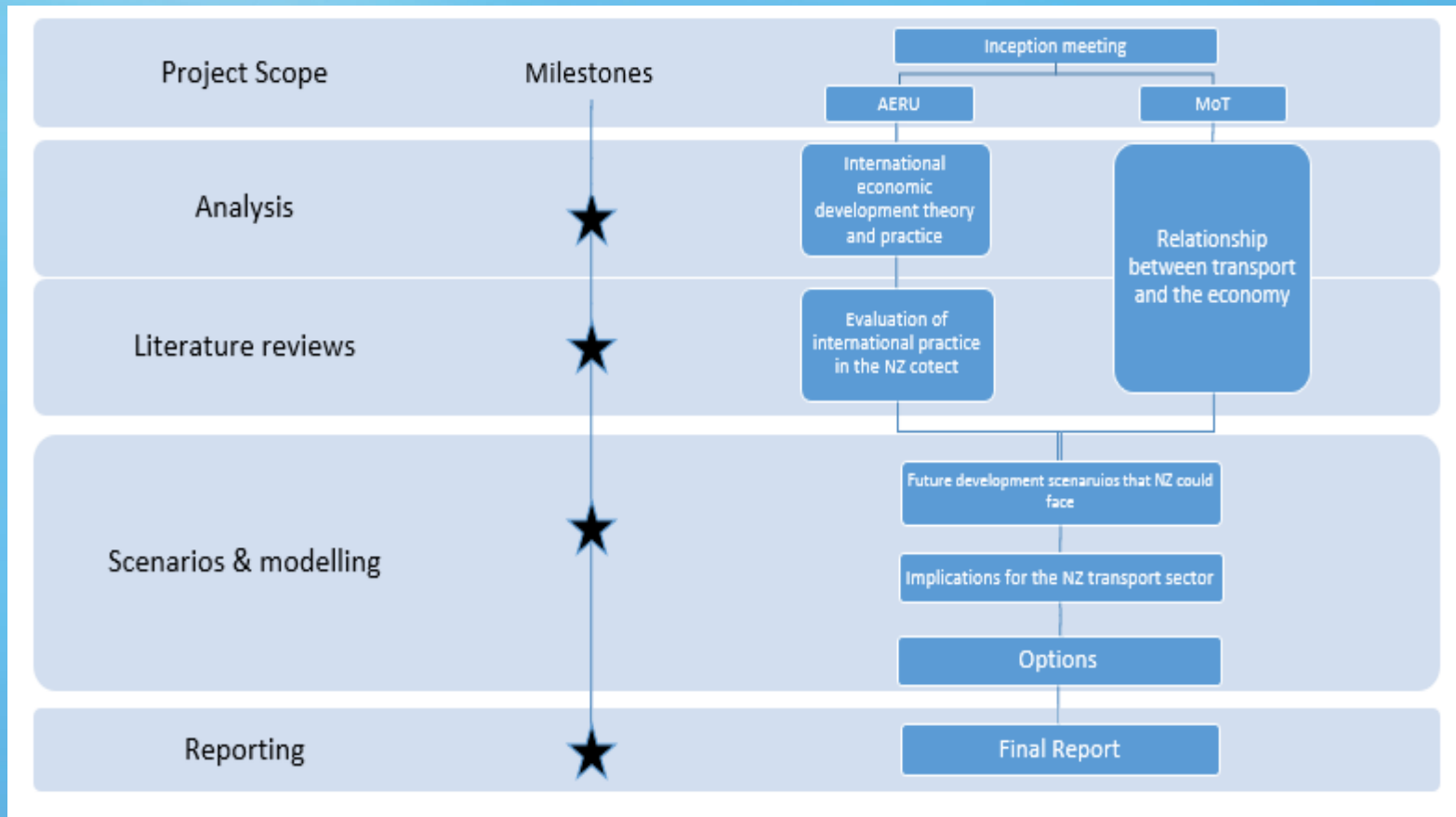
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MOT Project



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Sector Selection Model

- Stresses knowledge based economy
- Business services in their own right
- Also supporting sector to obtain full value for our products and services
- Developed with CDC



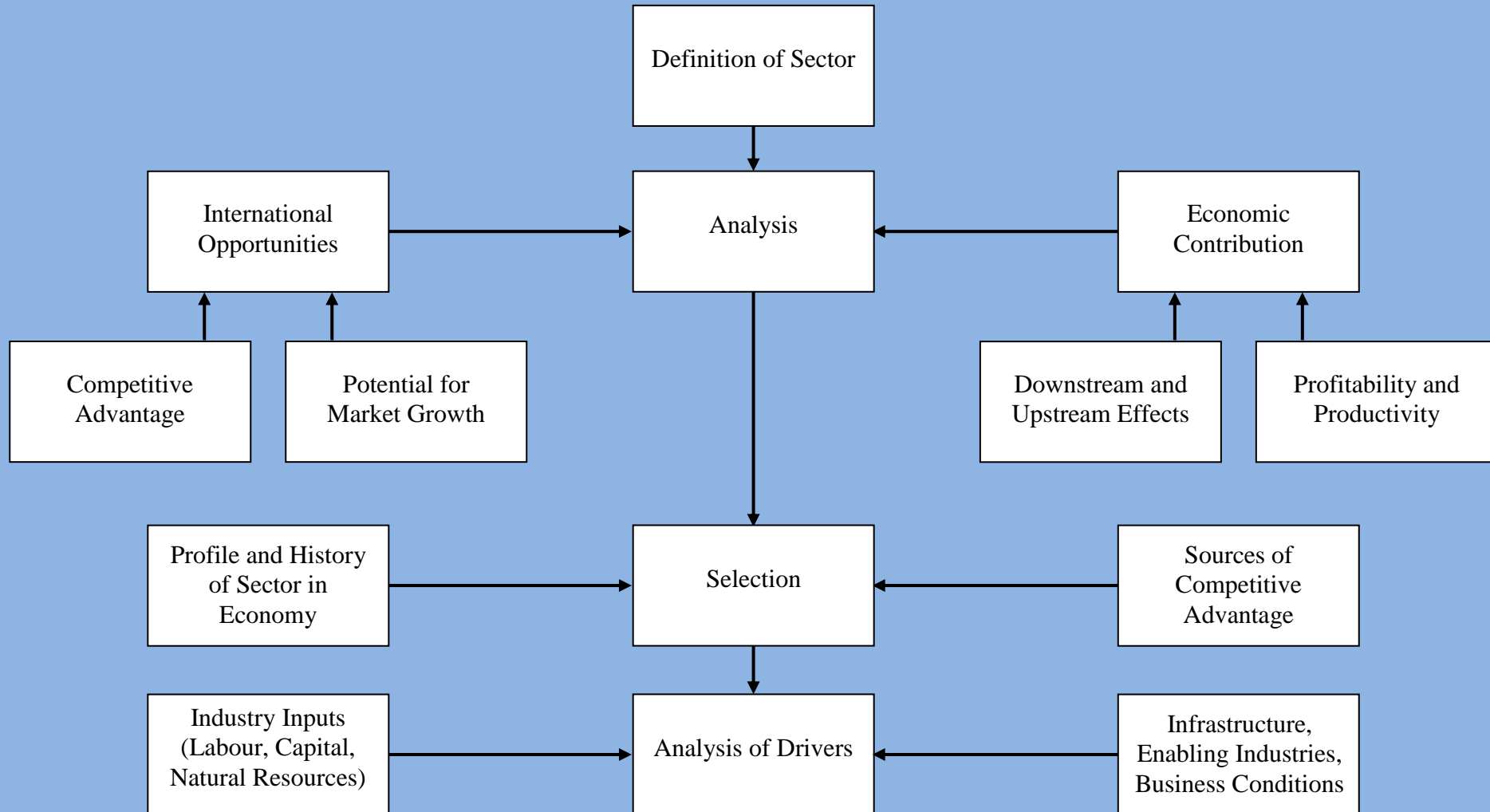
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Identifying Strategic Sectors



Evidence

- 2000-2010; NZ growth 73%; Auckland 68%, Canterbury 85%, Wellington 60%
- 1990-2010; Professional services 350%; Admin services 318%; Arts and rec; 333%; health care 308%



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Regional Government

- Strategy: assess the special strengths of my region: what are we good at and passionate about?
- Assess how this fits in the global environment/economy.
- Bring different parts together to facilitate the development of the skills necessary to achieve the strategy.



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Wellbeing Economics

- The AERU has prepared a short book on this topic.
- The uniting theme is the importance of value-added activities (where value is more than dollars) by persons, communities, **local government**, businesses and central government.



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