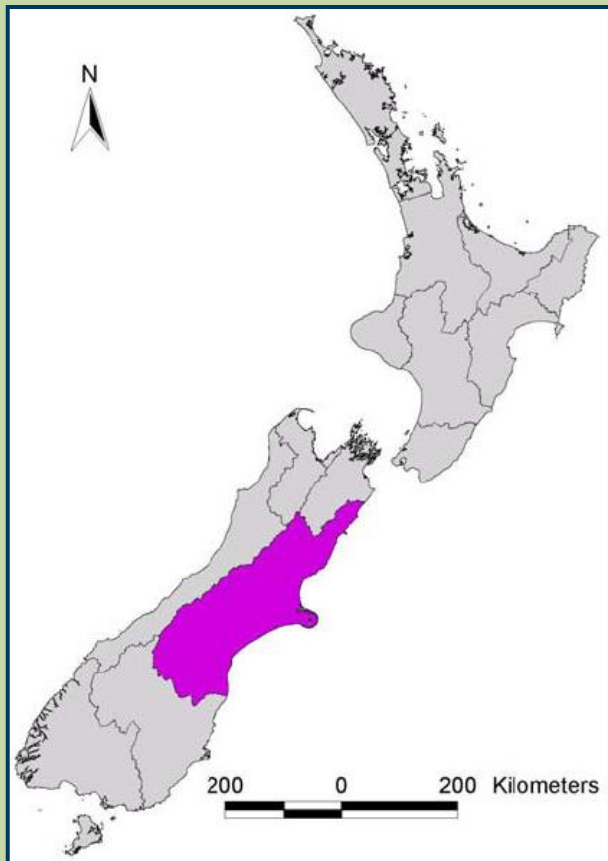


Paul Dalziel
Lincoln University

THE CANTERBURY REGION

Introduction



- I have been asked to focus on the regional picture.
- How is Canterbury placed in the current economic environment?
- Can we identify any strategic opportunities in the wider region?

Mihi



Source: Central South Island Tourism
<http://www.southisland.org.nz/gallery.asp>

Three Reasons for the Mihi

- It is not often in New Zealand that we can make contact with a human-made treasure that is over 500 years old.
- It is right when thinking about the region to begin with the land, mountains, rivers, lakes food places and ocean that frame us.
- It reminds us that our history has involved waves of migrations, each of which has had to be innovative to prosper in this place.

The Connected Region

- 4.8 million hectares.
- Nearly 800 kilometres along the Pacific Ocean from Kekerengu Point to the Waitaki River.
- The map shows the region's strategic land transport network.



The Global Economic Crisis

I tell the 'May Day Parade' story to pick up on a point made by Dr Alan Bollard (Governor of the Reserve Bank) at the national summit earlier this year.

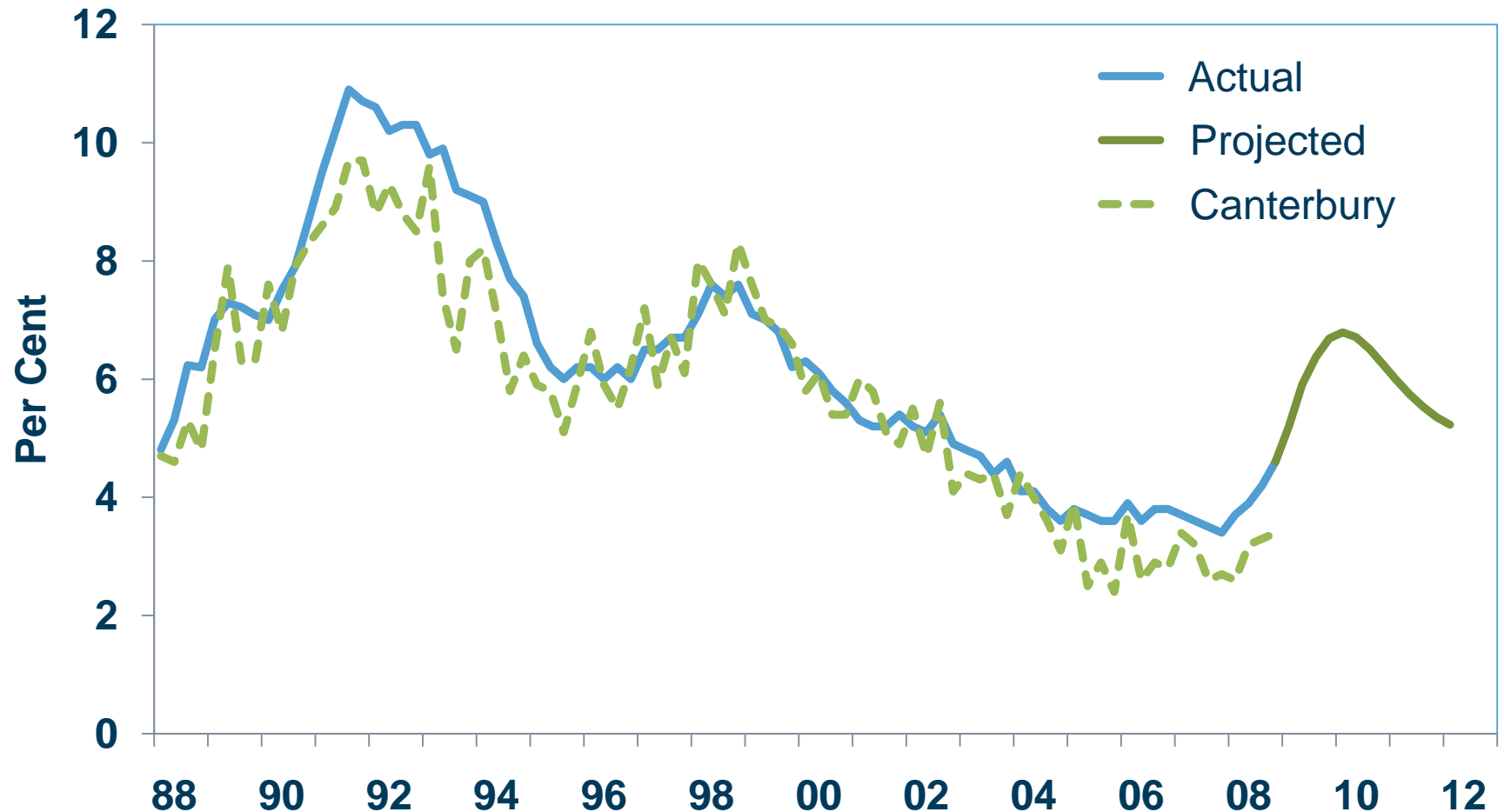
The biggest destruction of global wealth ever?

	Value loss (est. \$US)
Credit-related losses	\$2 trillion
Equity Markets	\$30 trillion
Housing	\$4 trillion
Lost output	\$3 trillion

Putting the Crisis into Context

- **Figures like this are alarming, and so it is important to put them into context.**
- **The Reserve Bank's latest projections suggest that the New Zealand economy will continue to slow for the rest of the year before recovering in 2010.**
- **The impact on unemployment is expected to be bad, but not severe.**

Actual and Projected Unemployment Rate

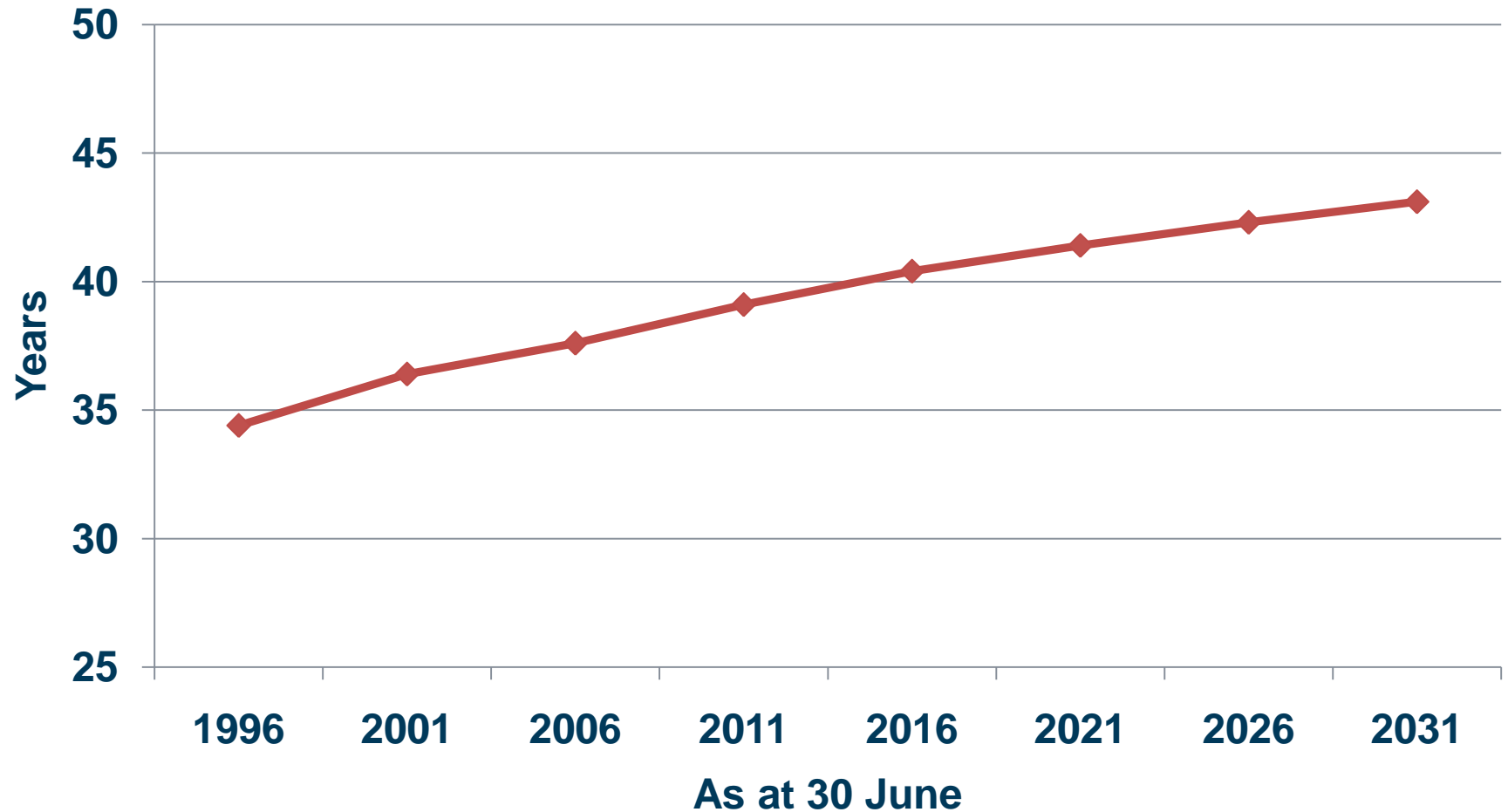


Source: Reserve Bank of New Zealand and Statistics New Zealand, March 2009.

Implications

- **If the Reserve Bank is correct, it means that we have spare human and capital resources that will be unemployed in 2009/10.**
- **Under this scenario, the standard policy approach is to search for public investment projects to employ those resources.**
- **The trick is to find projects that will help meet the region's long-term needs.**

Projected Median Age of Cantabrians

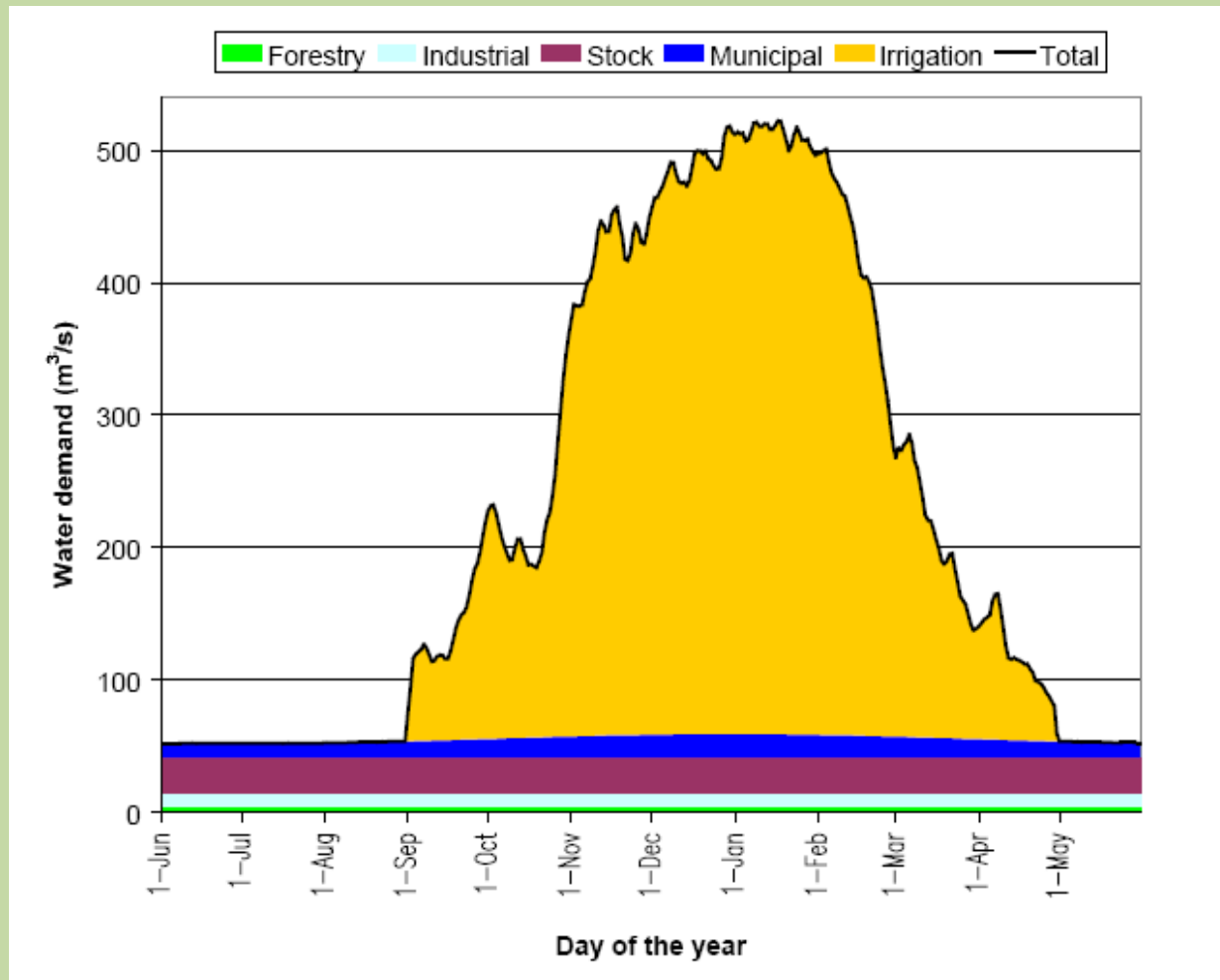


Source: Statistics New Zealand, March 2009.

Canterbury Population Projections

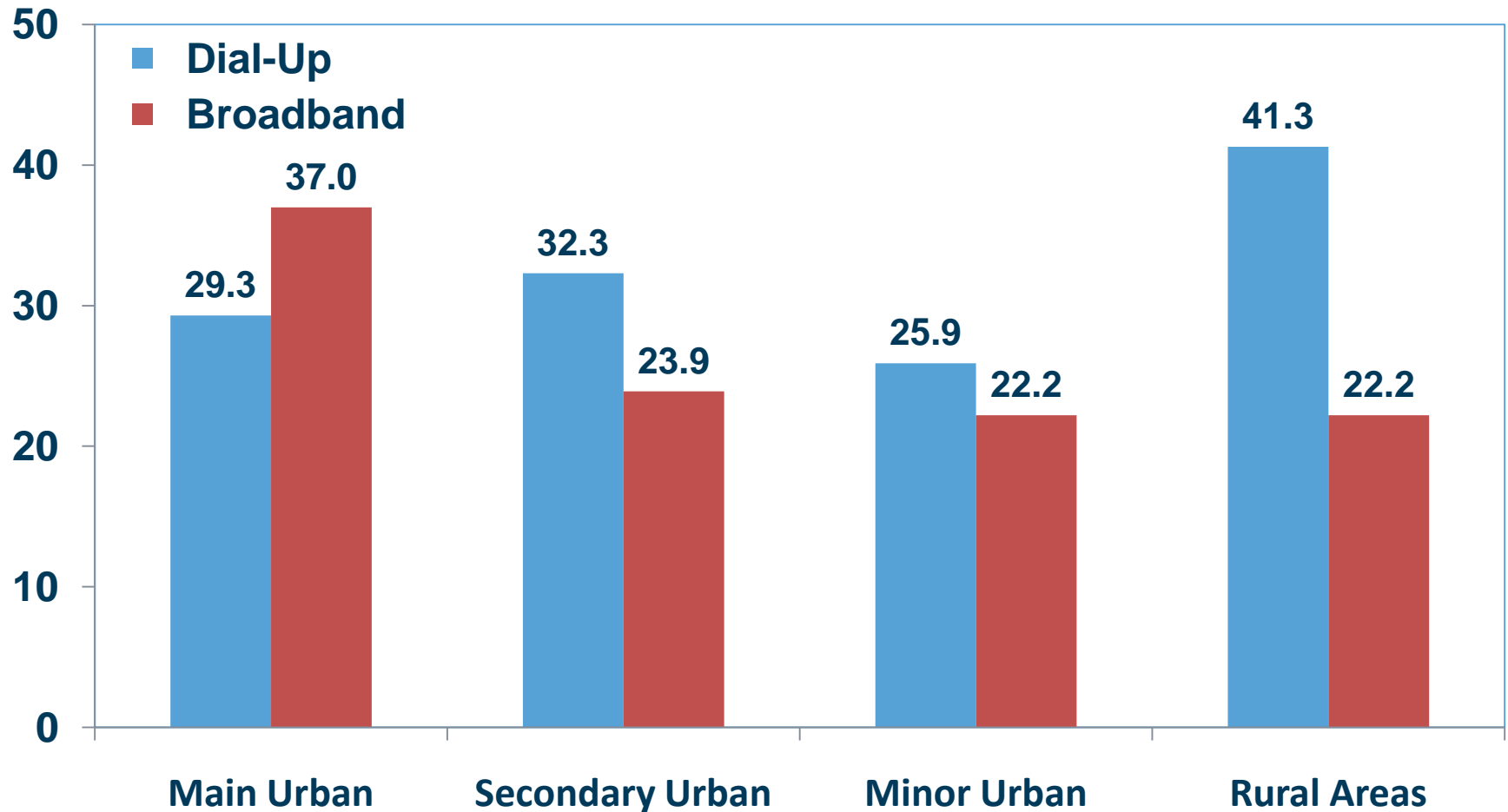
City, Districts and Region	2006		2031		Change
	Number	%	Number	%	%
Christchurch City	361,800	67.0	422,100	65.9	16.7
Kaikoura	3,700	0.7	3,900	0.6	5.4
Hurunui	10,800	2.0	12,600	2.0	16.7
Waimakariri	44,100	8.2	64,100	10.0	45.4
Selwyn	35,000	6.5	53,400	8.3	52.6
Ashburton	28,000	5.2	30,900	4.8	10.4
Timaru	43,800	8.1	42,300	6.6	-3.4
Mackenzie	3,900	0.7	3,800	0.6	-2.6
Waimate	7,400	1.4	6,400	1.0	-13.5
West Waitaki	1,500	0.3	1,500	0.2	0.0
Canterbury	540,000		641,000		18.7

Projected Water Demand in Canterbury



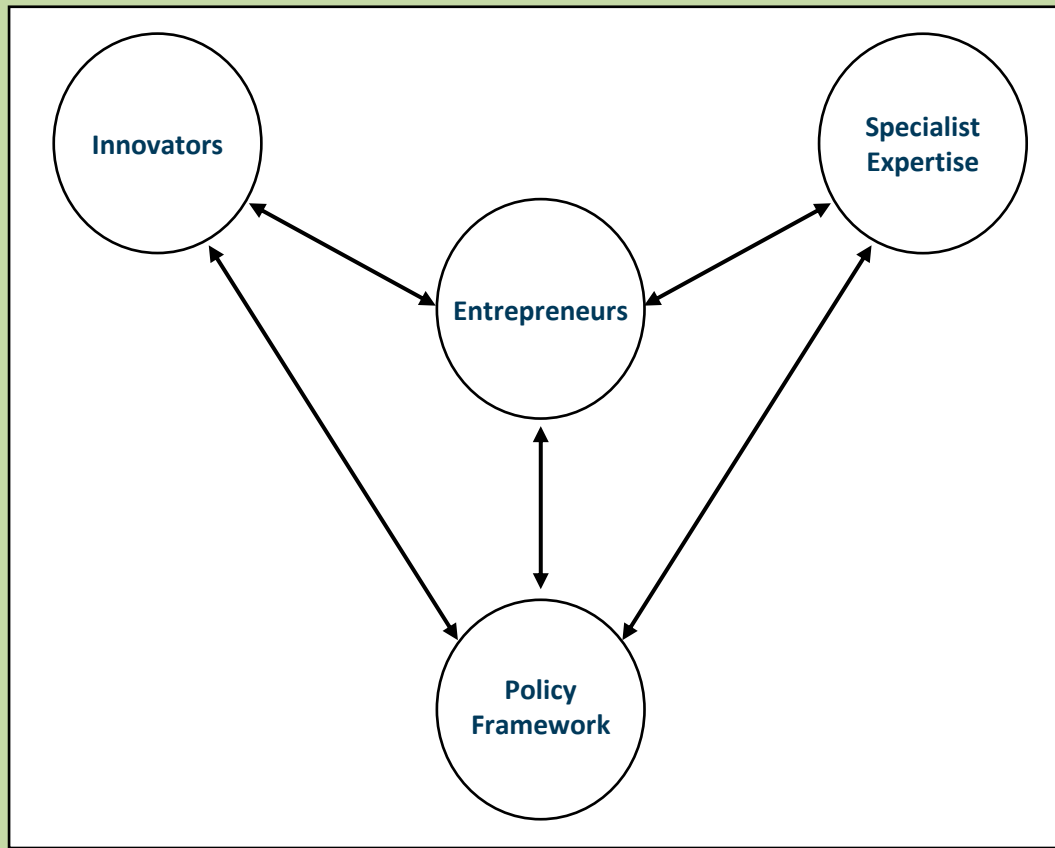
Source: *Canterbury Strategic Water Study, 2002.*

Urban/Rural Access to Broadband



Source: Statistics New Zealand, December 2006.

Strengthening Regional Innovation Systems



- Canterbury and Nelson Neutraceuticals
- Waipara Valley Winegrowers
- Agricultural Support Industries

Conclusion

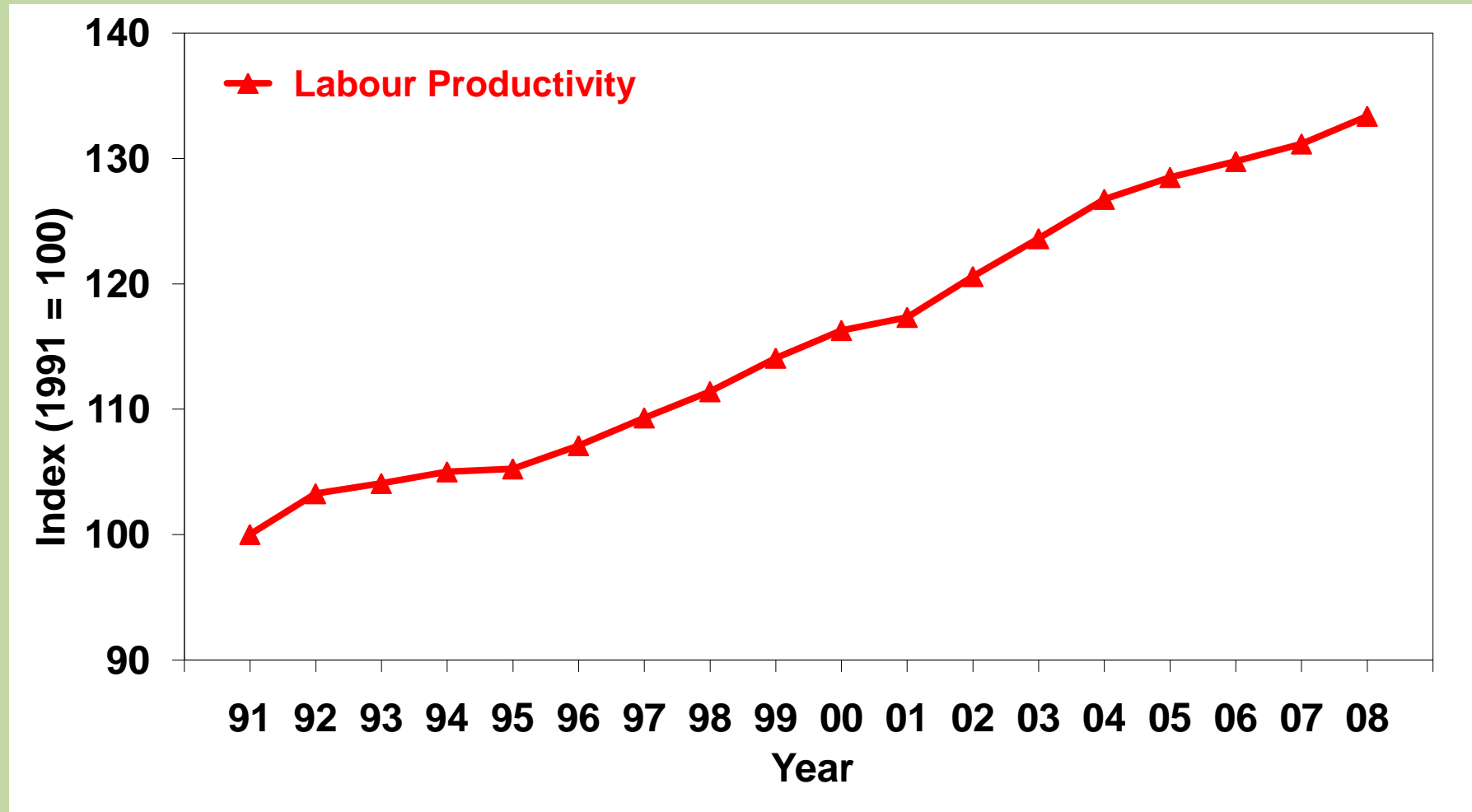
- **Beware of economists offering innovative ways to extend credit.**
- **The Canterbury region is relatively well placed to weather the storm if it is not prolonged.**
- **We should try to put unemployed resources to good use to invest for our long-term needs.**
- **There are a range of long-term issues facing the Canterbury region that could be addressed.**

THANK YOU

Causes of the Global Crisis

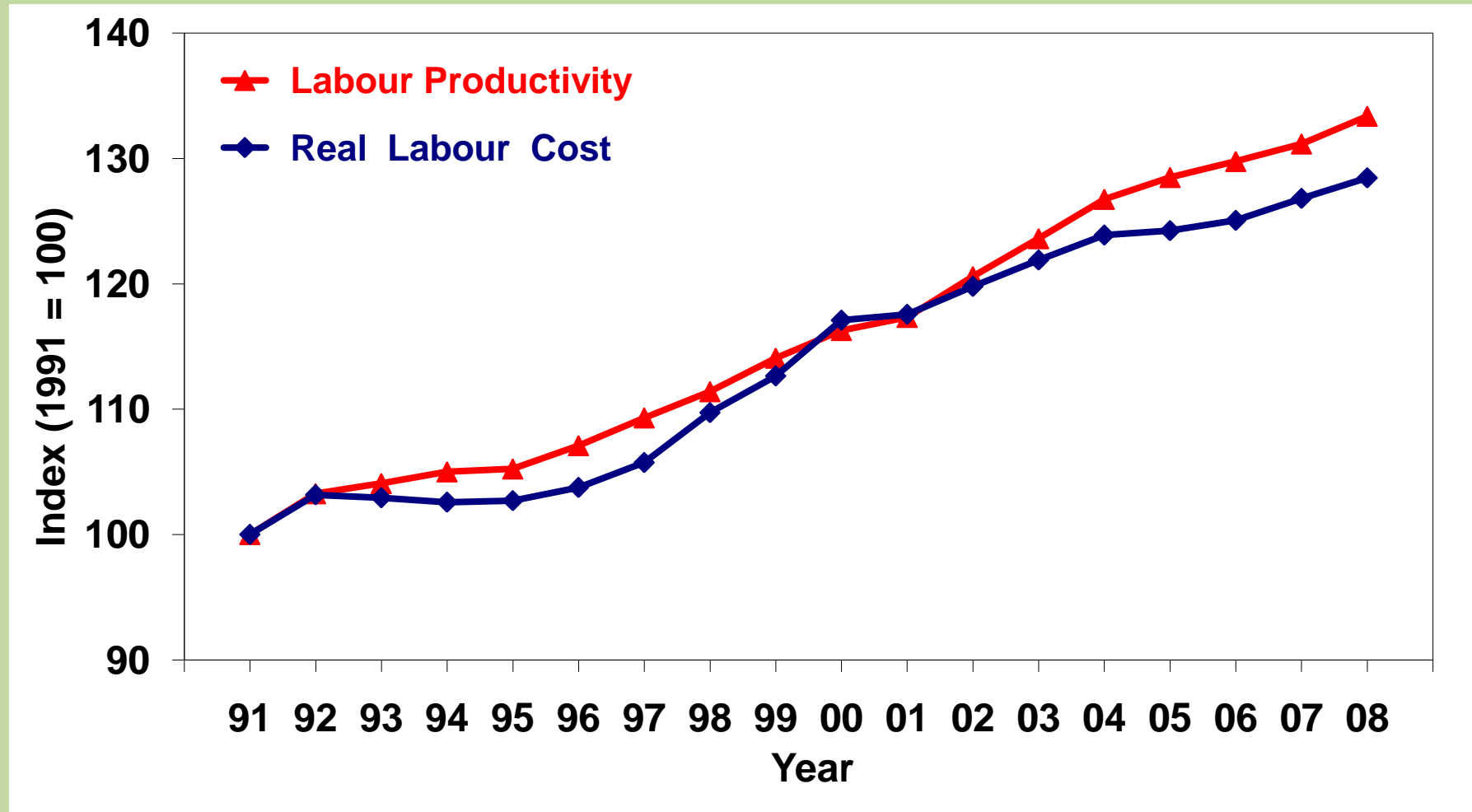
- **There has been a lot written and said about the causes of the global crisis.**
- **These have tended to emphasise systematic failings in credit markets, especially in the United States.**
- **I want to comment on another contributing factor that I think helps us understand why credit became more important in recent years.**

United States Data



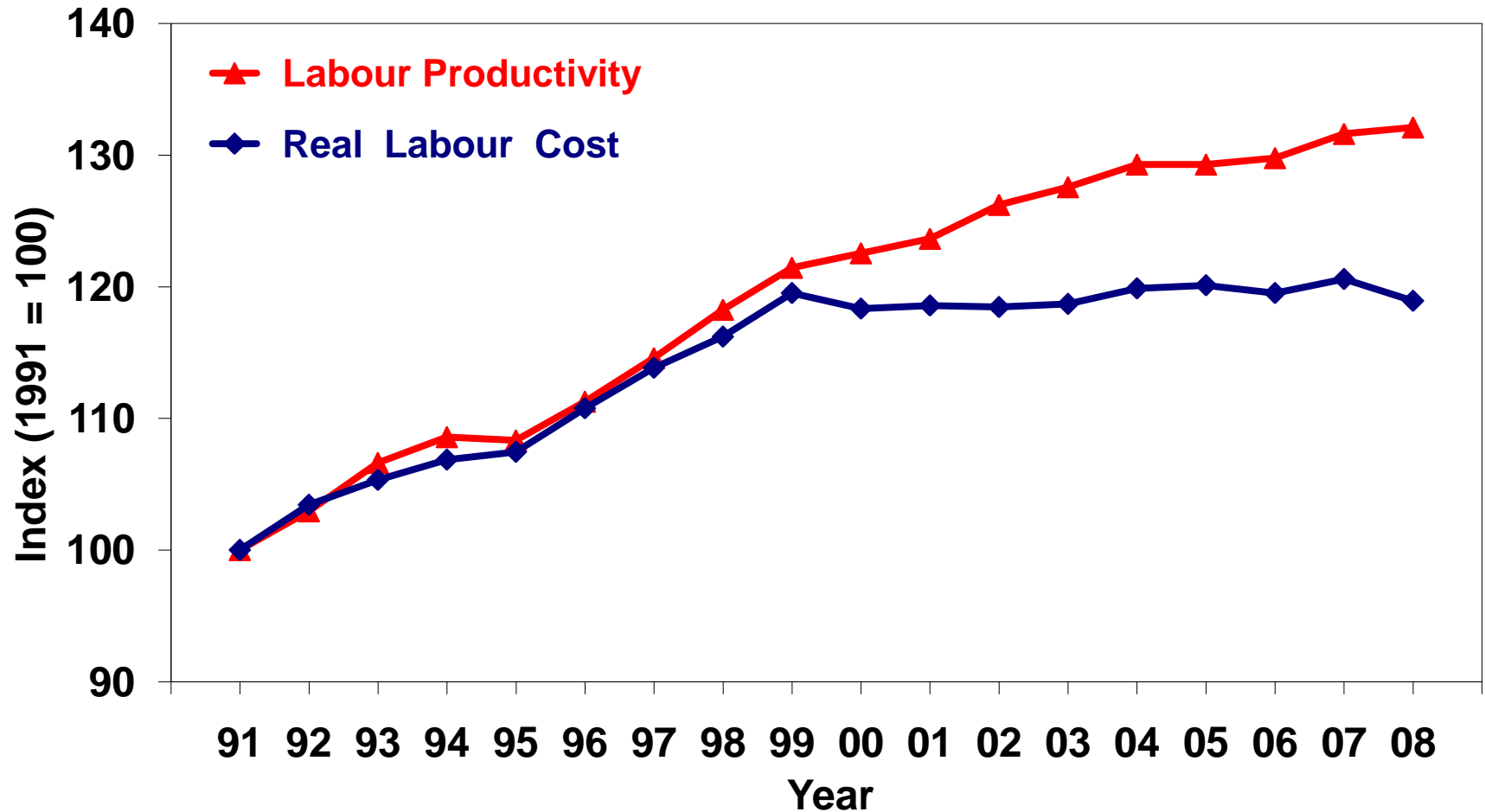
Source: OECD *Economic Outlook* data.

United States Data



Source: OECD *Economic Outlook* data.

Australian Data



Source: OECD *Economic Outlook* data.

Summary

- If real wages do not keep up with labour productivity growth, then workers can't afford to buy from wages their share of the extra goods and services being produced.
- Under these circumstances, credit growth is what fills the gap.
- We need to avoid policies that aim to raise productivity growth but suppress wage growth.