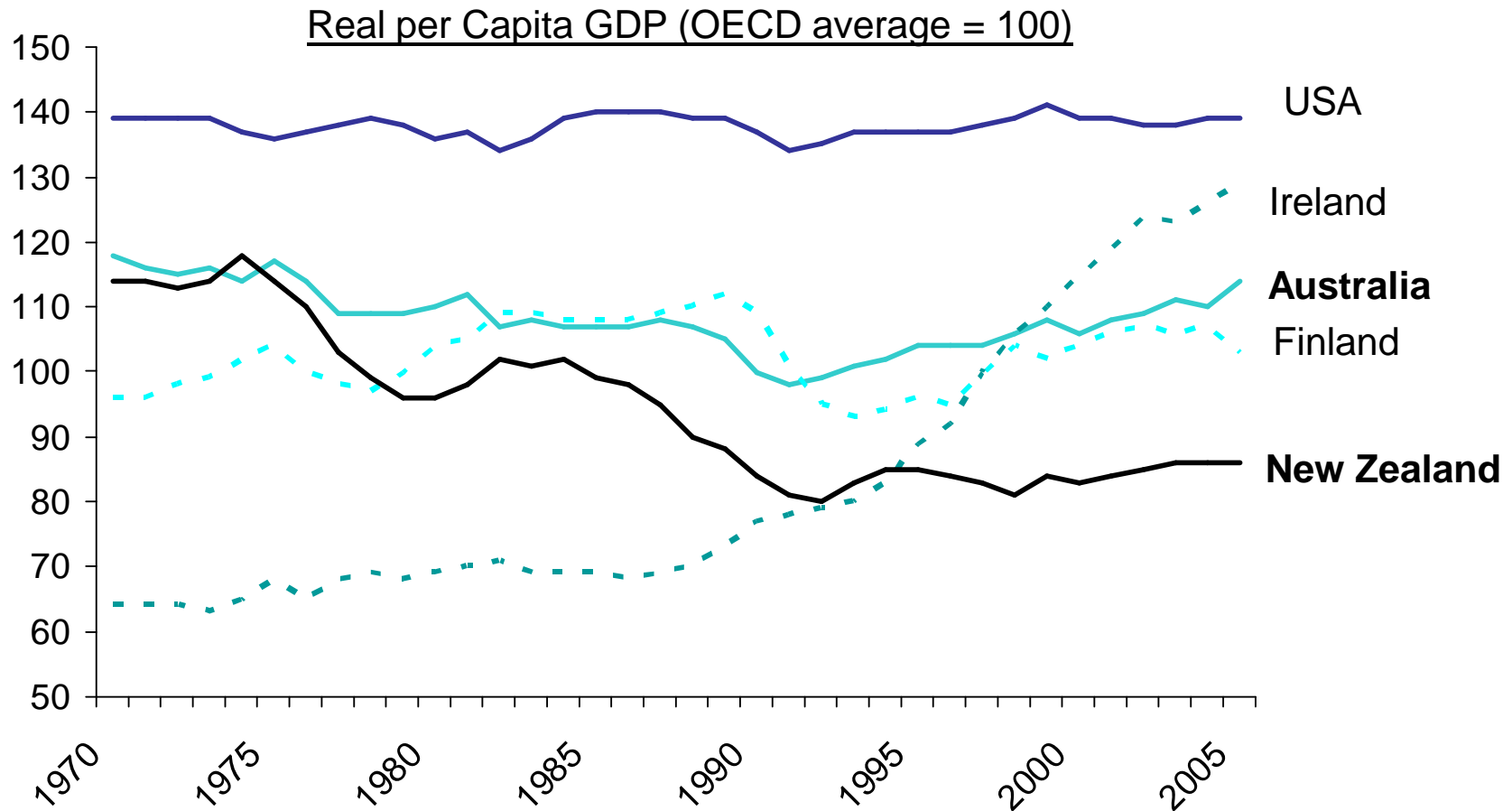


# Expanding into the Australian Market

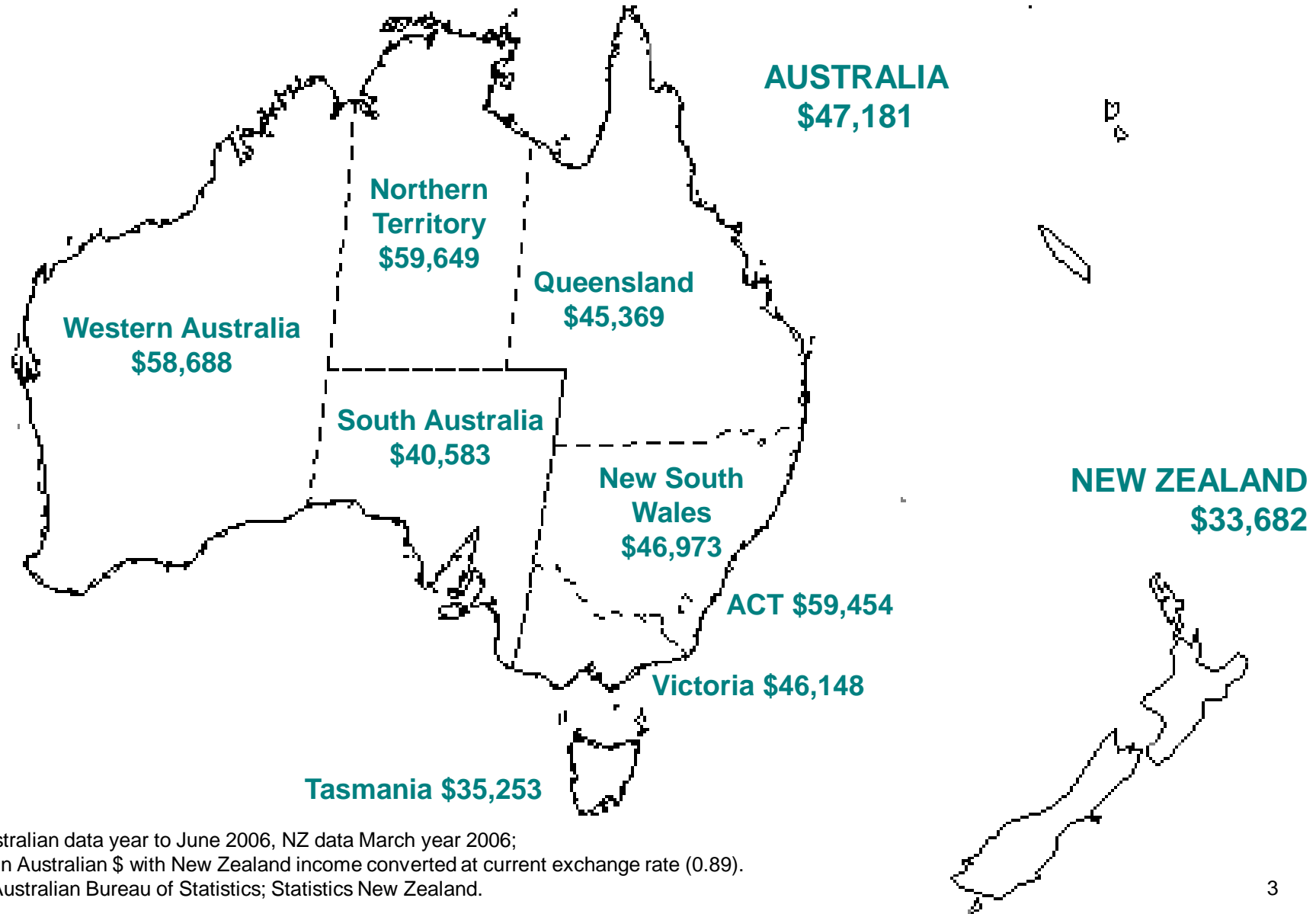
David Skilling  
November 2007

[www.nzinstitute.org](http://www.nzinstitute.org)

# AUSTRALIAN GDP PER CAPITA IS ABOUT 30% HIGHER THAN IN NEW ZEALAND



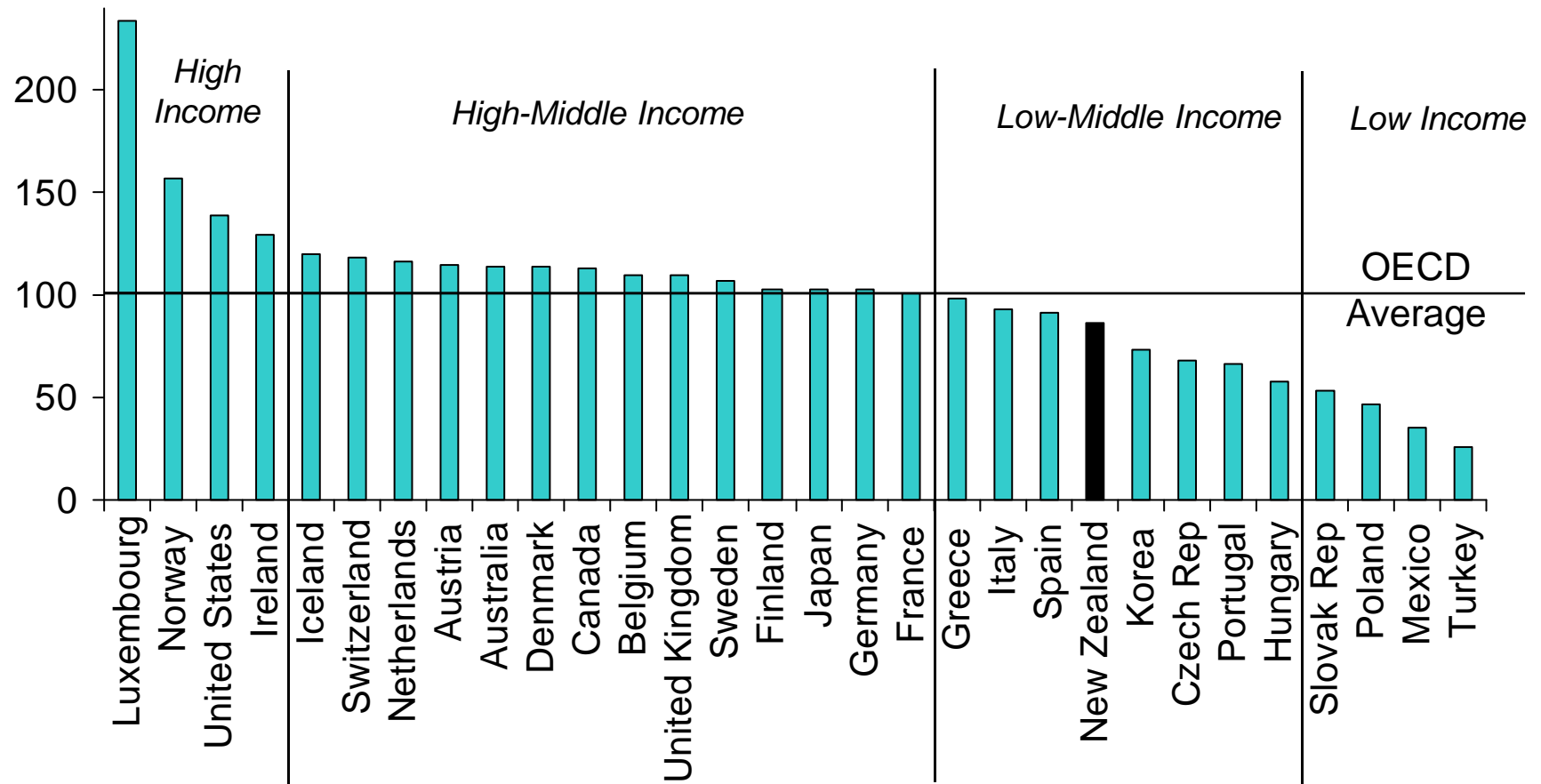
# NEW ZEALAND'S PER CAPITA INCOME IS LOWER THAN IN ALL AUSTRALIAN STATES



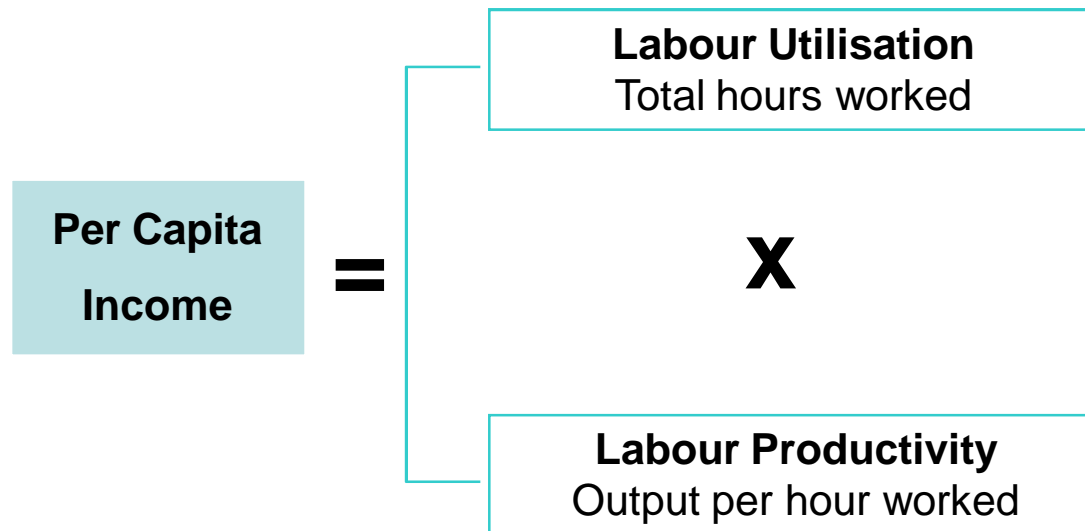
Note: Australian data year to June 2006, NZ data March year 2006; reported in Australian \$ with New Zealand income converted at current exchange rate (0.89).  
Source: Australian Bureau of Statistics; Statistics New Zealand.

# NEW ZEALAND IS IN THE BOTTOM HALF OF THE OECD

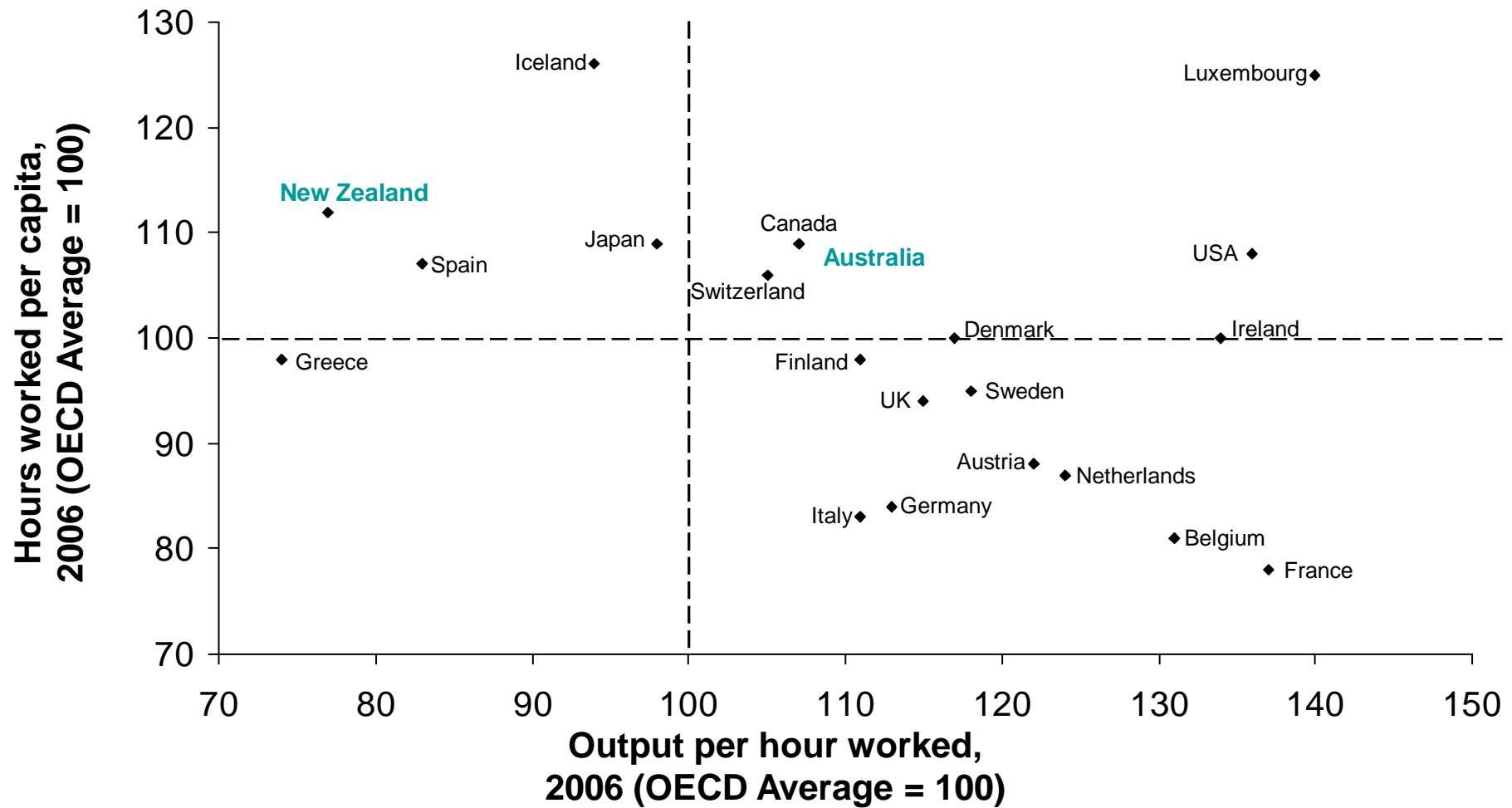
GDP per capita (PPP) indexed to OECD average, 2005



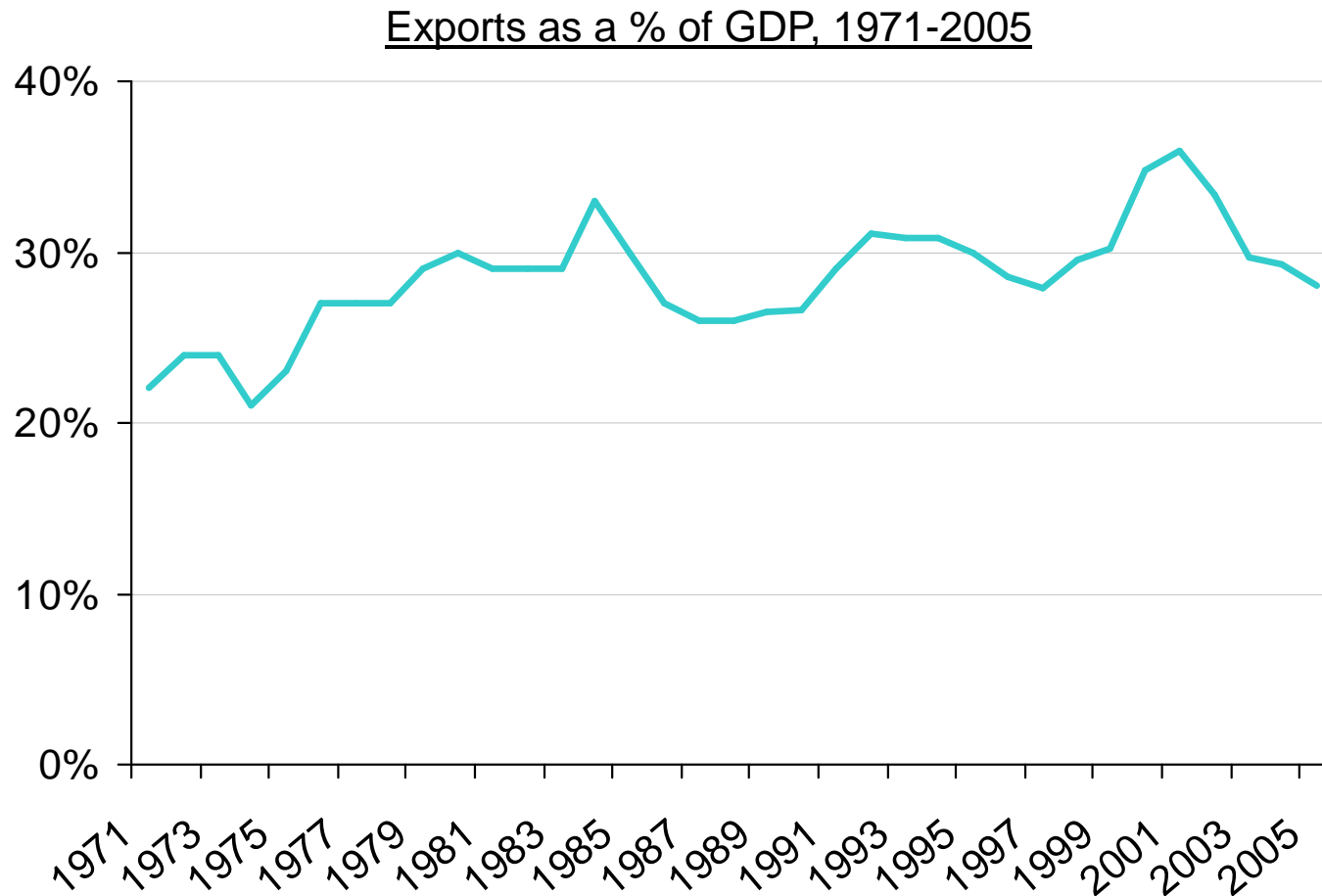
## COMPONENTS OF PER CAPITA INCOME



# NEW ZEALANDERS WORK LONGER HOURS THAN AUSTRALIANS BUT ARE NOT AS PRODUCTIVE



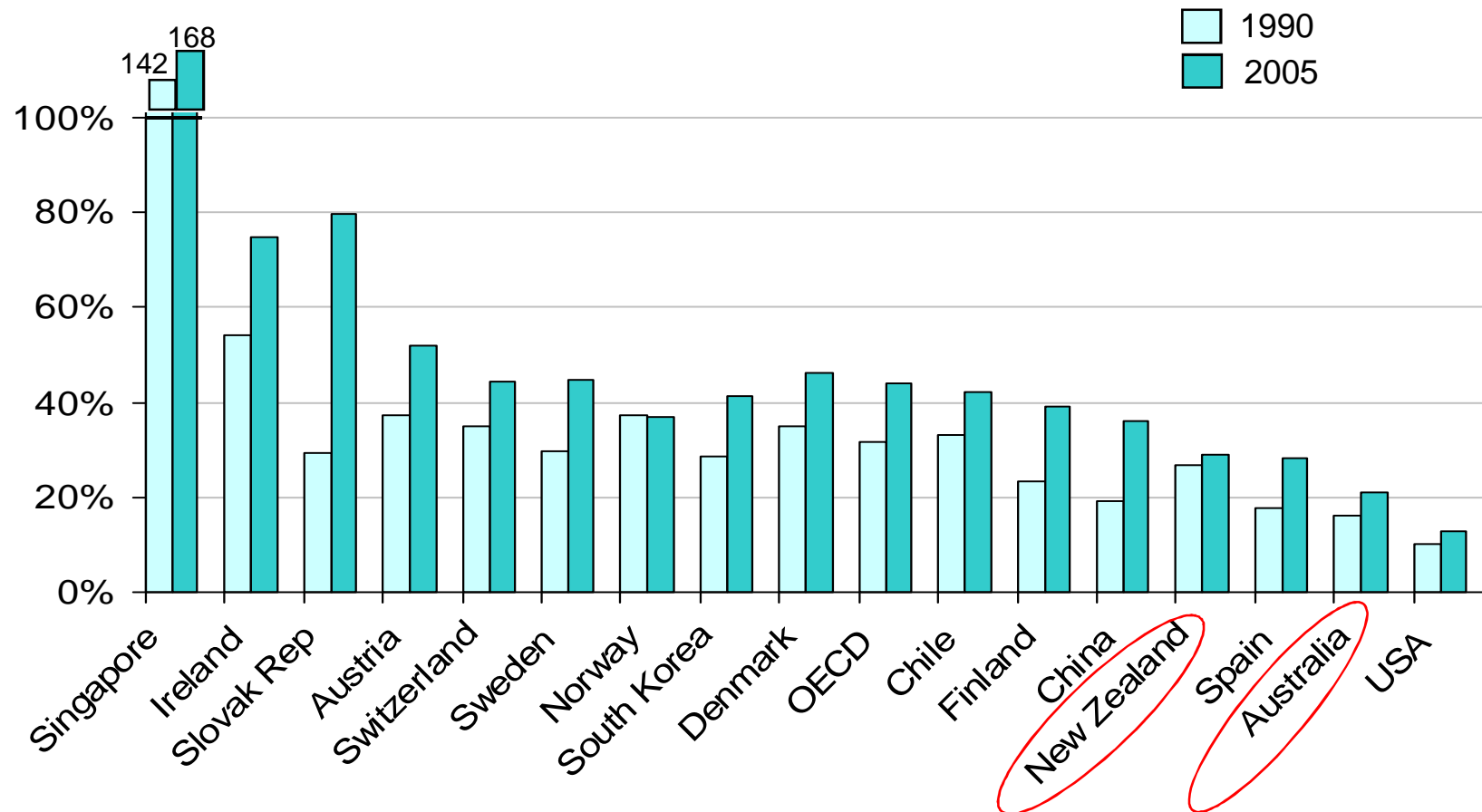
# NEW ZEALAND'S EXPORTS HAVE GONE SIDeways AS A SHARE OF THE ECONOMY OVER THE PAST 20 YEARS



Source: World Development Indicators (1971-1987), Statistics New Zealand (1988-2005).

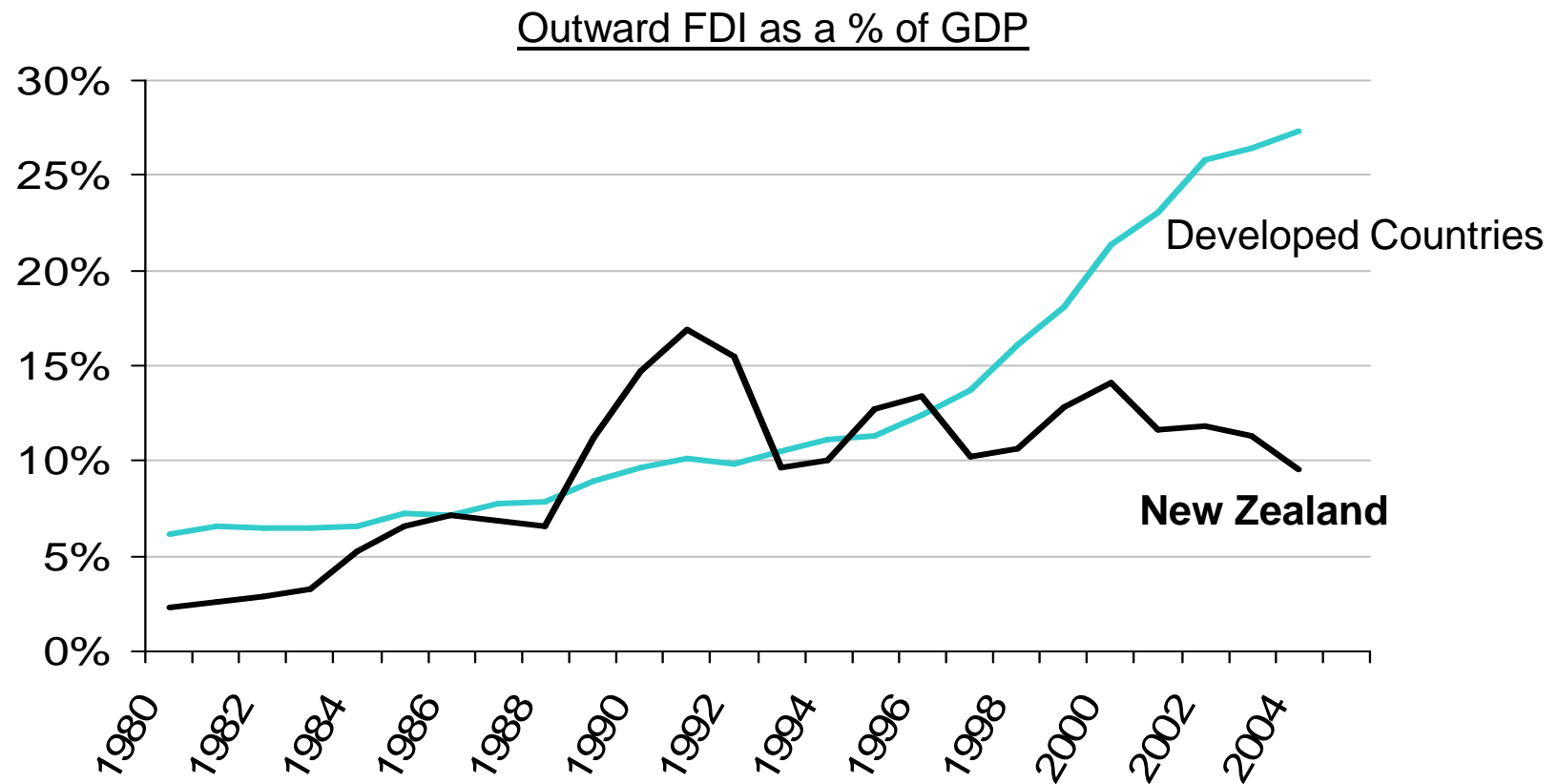
# NEW ZEALAND EXPORTS LESS THAN MOST DEVELOPED COUNTRIES

Exports as a % of GDP, 1990 and 2005

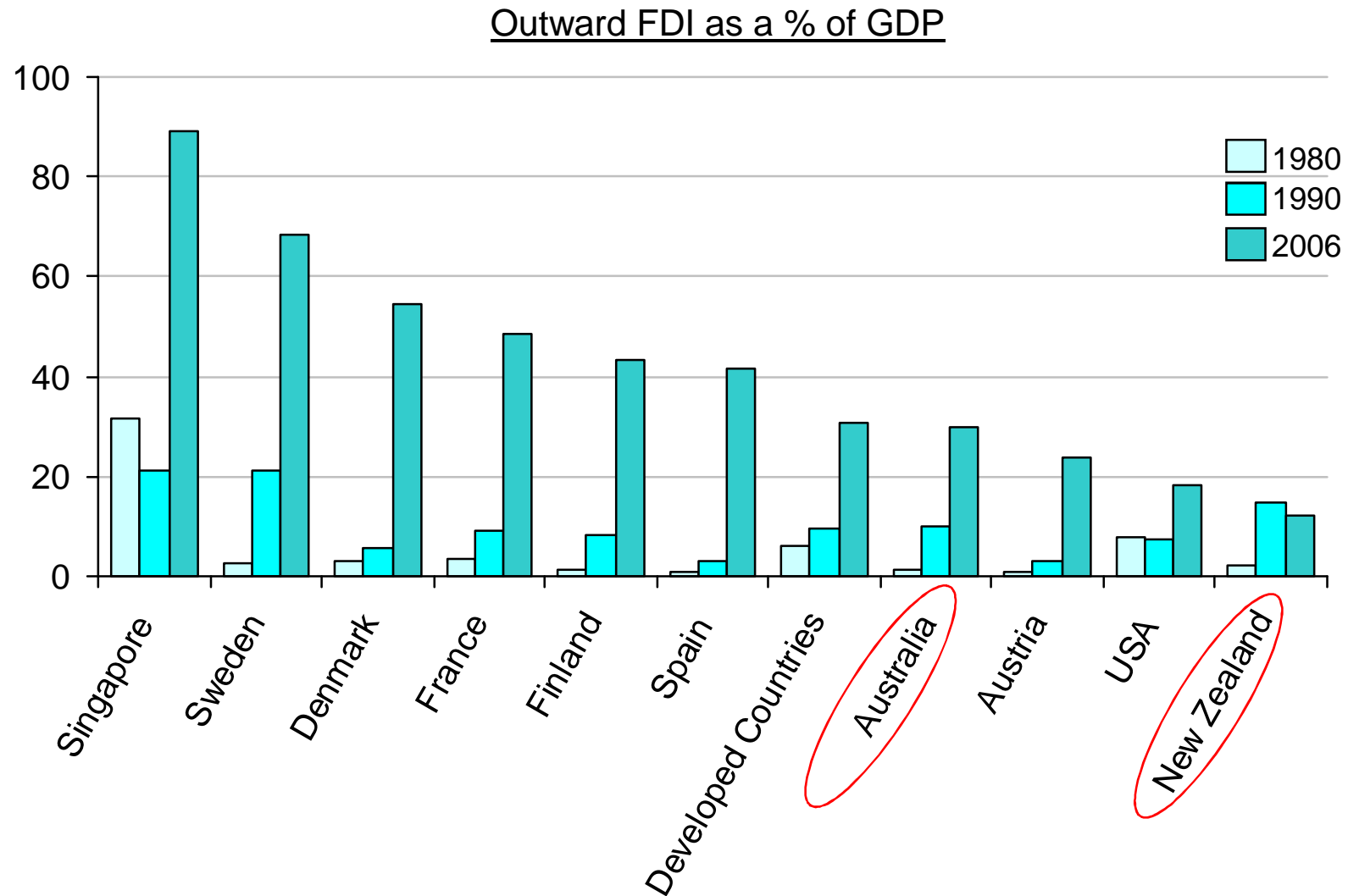


Source: OECD; national government statistics for Chile, China, and Singapore for 2005.

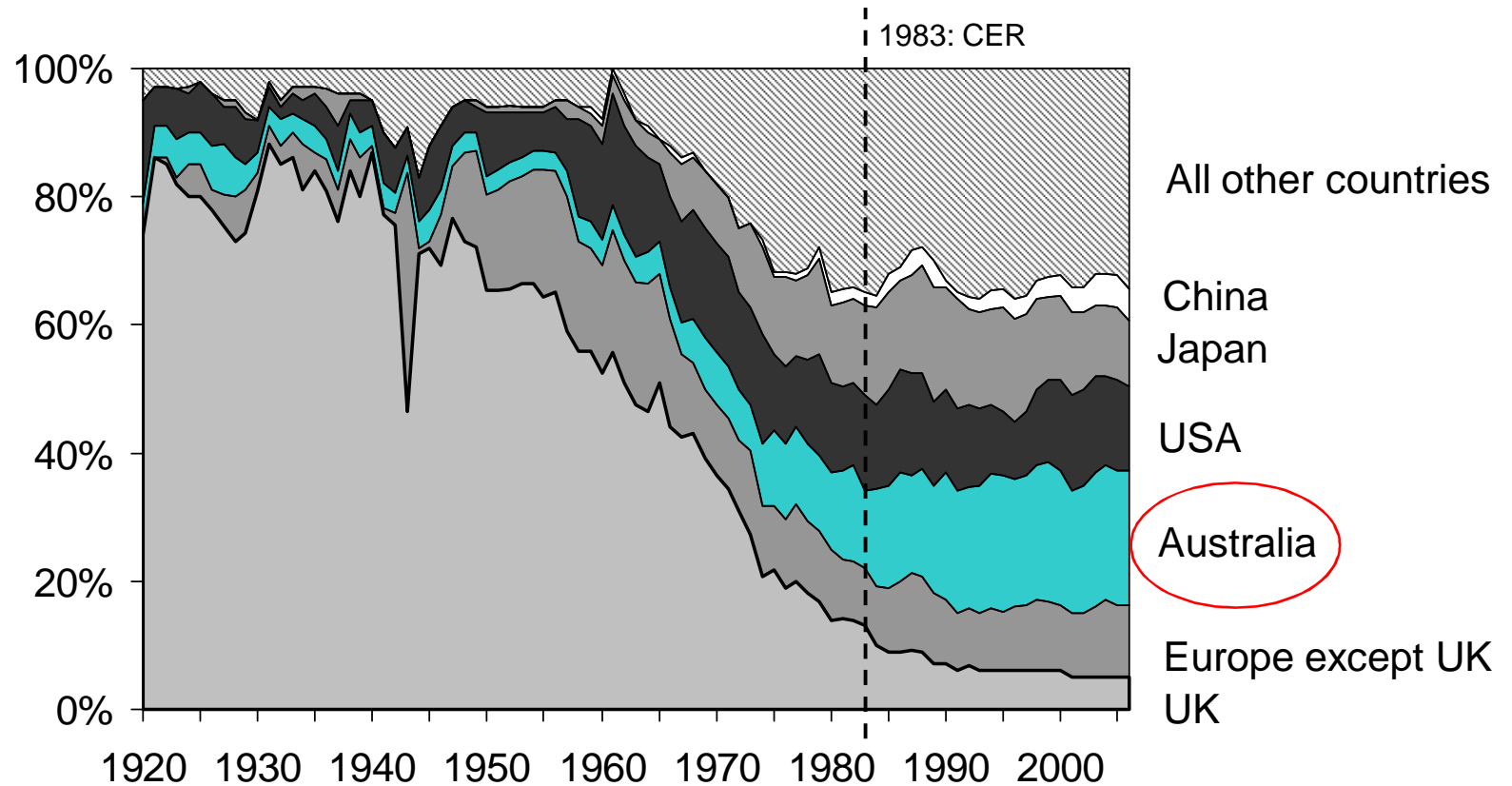
## NEW ZEALAND'S OUTWARD FDI REDUCED THROUGH THE 1990s, PARTICULARLY RELATIVE TO OTHER DEVELOPED COUNTRIES



# NEW ZEALAND IS DISTINCTIVE IN HAVING A LOW AND REDUCING OUTWARD FOREIGN DIRECT INVESTMENT STOCK



# AUSTRALIA HAS BECOME A MORE IMPORTANT DESTINATION FOR NEW ZEALAND'S EXPORTS



Note: Data interpolated for the years 1932, 1942-5, 1950-3, 1960-2, 1969-70, and 1981, exports of goods only.  
 Source: Statistics New Zealand.

## BUT NEW ZEALAND HAS LOST EXPORT MARKET SHARE IN AUSTRALIA

### Compound Annual Growth Rate

	1983-2006*	1983-1993	1994-2006*
NZ's exports to Australia	8.9%	14.8%	4.2%
NZ's exports to rest of world	5.8%	8.1%	4.2%
Australia's imports from rest of world	9.4%	10.7%	8.4%

Australia's exports to NZ	7.5%	10.0%	5.6%
Australia's exports to rest of world	8.9%	10.6%	8.1%
NZ's imports from rest of world	7.4%	8.3%	6.7%

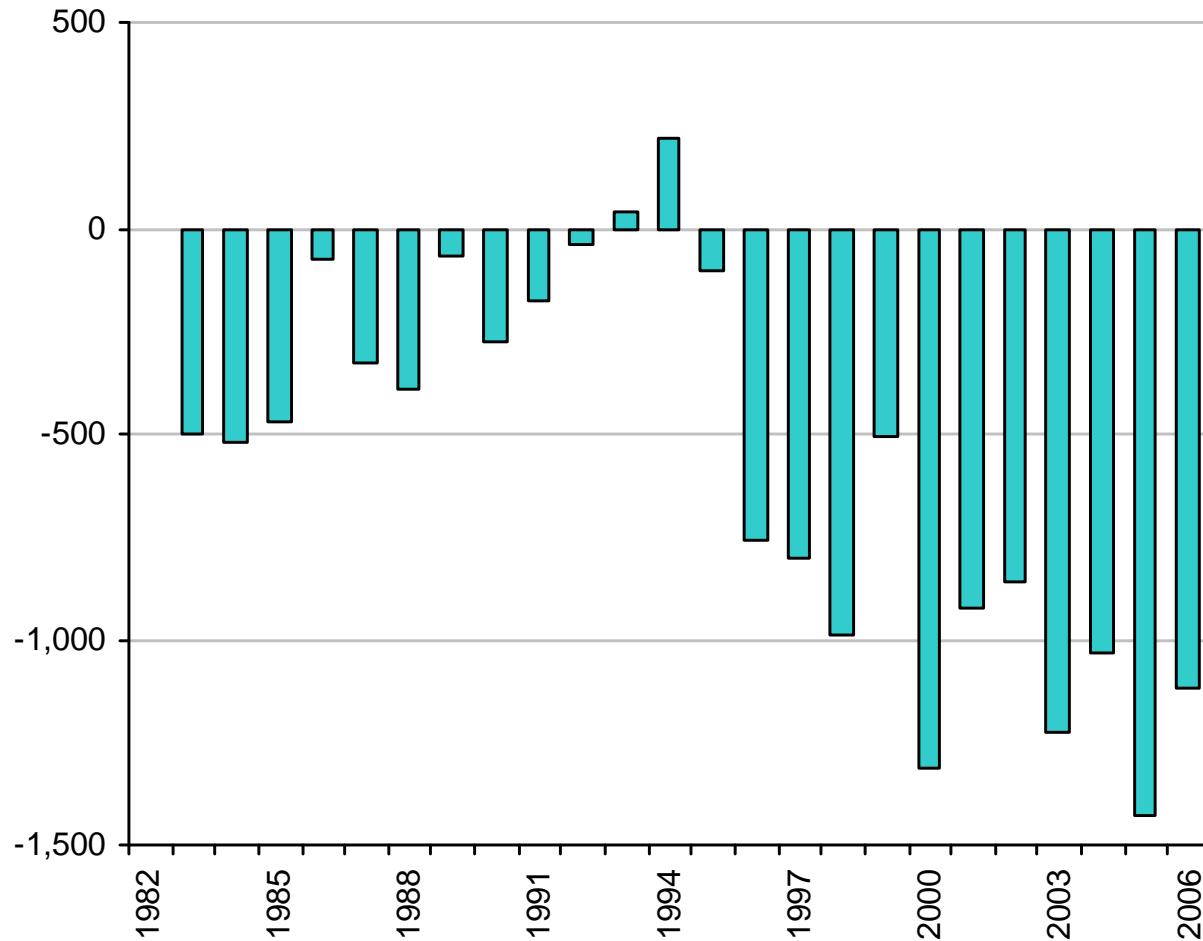
\* Using preliminary data for 2006

Note: exports of goods only.

Source: Australian Bureau of Statistics; Statistics New Zealand; OECD.

# NEW ZEALAND HAS A PERSISTENT MERCHANDISE TRADE DEFICIT WITH AUSTRALIA

New Zealand's merchandise trade balance with Australia, 1983-2007 (NZ\$m)



NZ\$1.1 billion deficit is 14% of the value of New Zealand's merchandise exports to Australia)

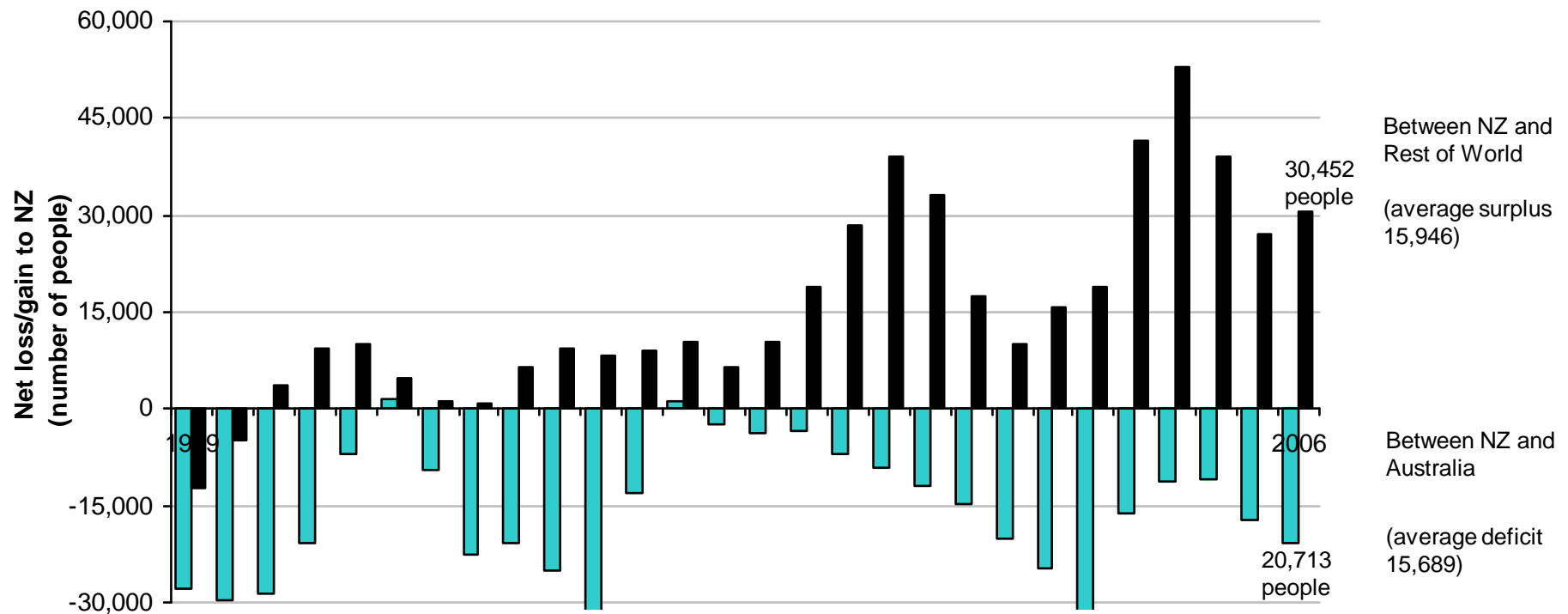
# NEW ZEALAND'S INVESTMENT STOCK IN AUSTRALIA IS STATIC, AUSTRALIA'S INVESTMENT STOCK IN NEW ZEALAND IS GROWING



Source: UNCTAD (1993-2000); Statistics New Zealand (2001-2006). Data prior to 2001 not directly comparable.

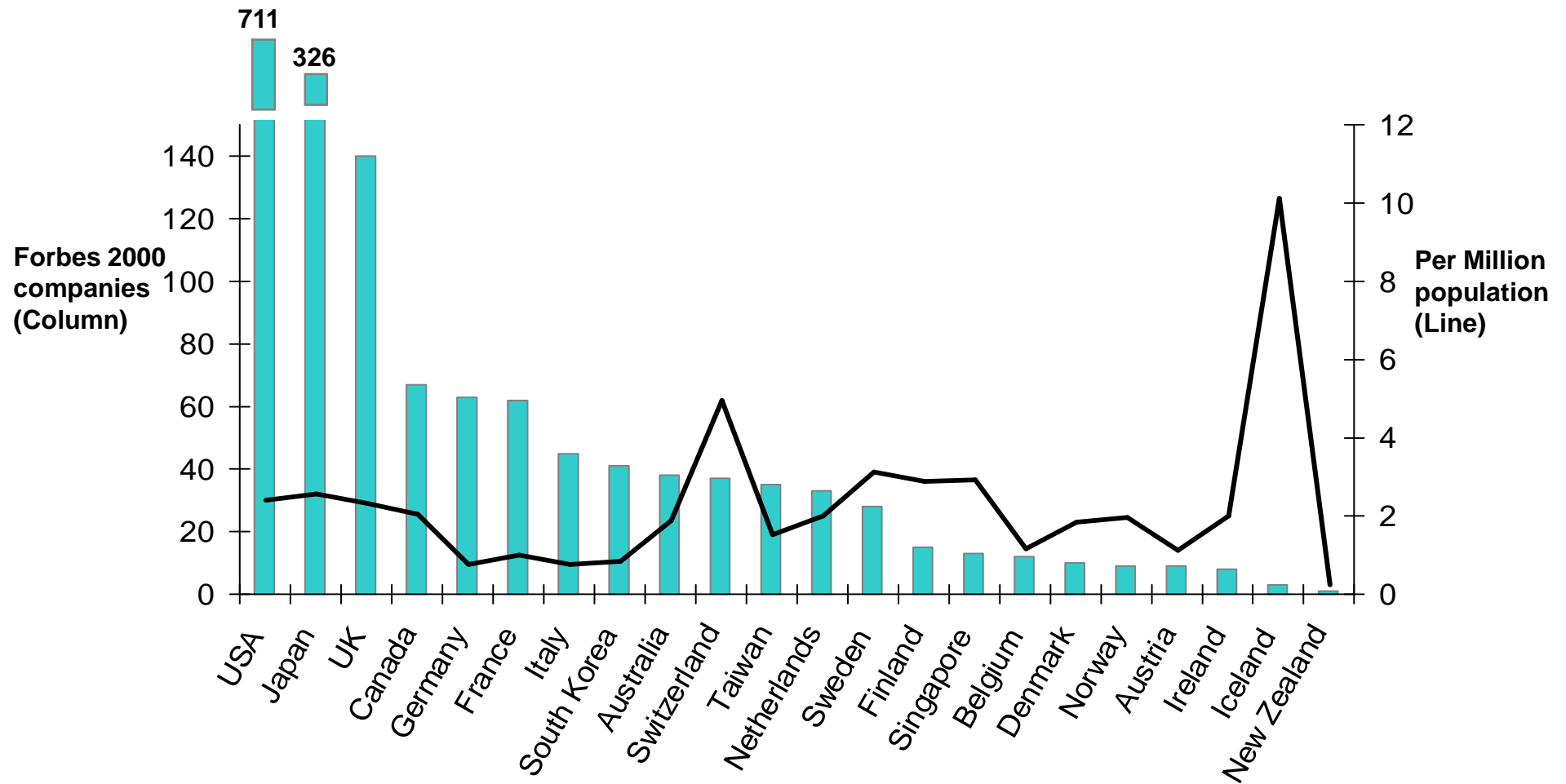
# A SUBSTANTIAL NUMBER OF NEW ZEALANDERS HAVE LEFT PERMANENTLY FOR AUSTRALIA

Net Permanent and Long Term Movements, 1979-2006

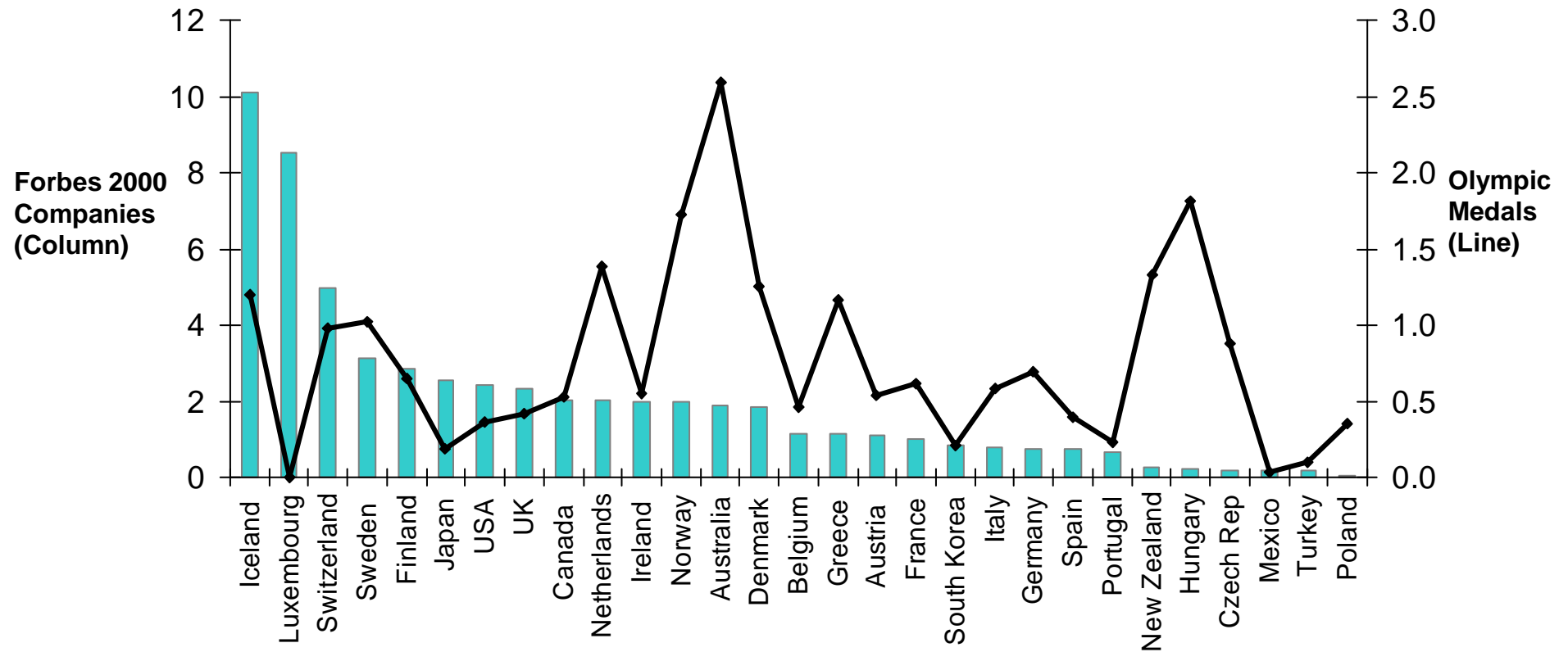


Note: Averages are straight-line averages.  
Source: Statistics New Zealand.

# NEW ZEALAND HAS NOT GROWN LARGE COMPANIES IN THE WAY THAT OTHER COUNTRIES HAVE



# NEW ZEALAND'S INTERNATIONAL PERFORMANCE SEEMS BETTER IN SPORTS THAN IN BUSINESS



Note: Olympic medals from 1996, 2000, and 2004 per million population and Forbes 2000 companies per million population.  
Sources: Forbes Magazine; The New Zealand Institute calculations.

## GUIDING PRINCIPLES FOR INTERNATIONAL SUCCESS BY NEW ZEALAND FIRMS

- **Commitment to international success**

- Recognition of imperative
- Bold aspirations

- **Focus on competitive advantage**

- Explicit decision on how to compete
- Allocation of scarce resources to match decision
- New market choices based on fit with competitive advantage

- **International growth in steps**

- Increasingly bold steps into new markets
- Formal processes to learn from each step

- **Experienced insiders in global markets**

- ‘On the ground’ learning in new markets before major investment
- Rotation of executives between markets

## SOME NEW ZEALAND FIRMS HAVE FAILED TO FOLLOW THESE GUIDING PRINCIPLES

- **Commitment to international success**

- Comfort with domestic status due to perceived security of domestic position, or capital market scepticism



- **Focus on competitive advantage**

- Replication of NZ model, with insufficient regard for new competitive environment
- Bias towards choosing Australia as first offshore market



- **International growth in steps**

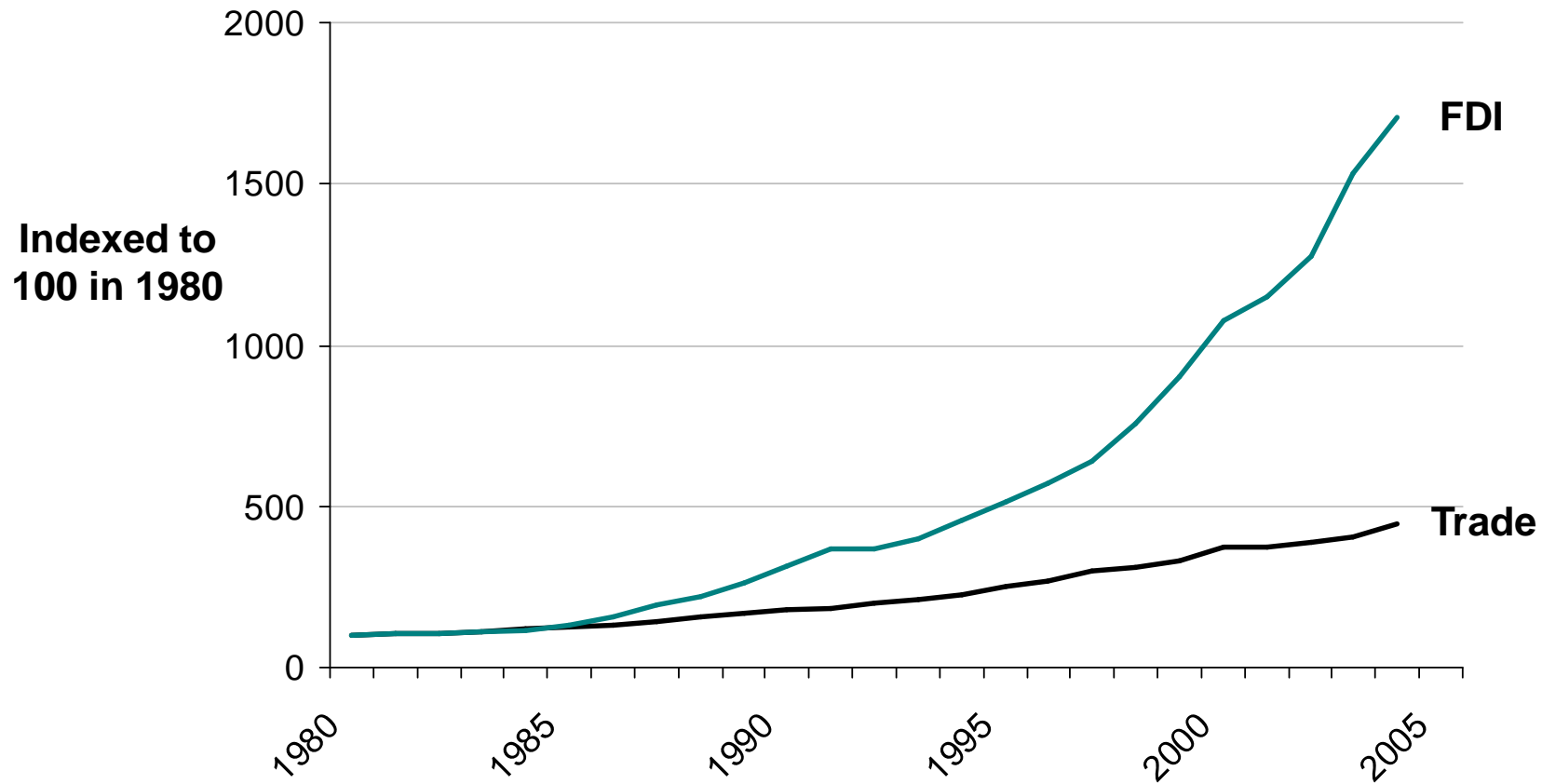
- Risky 'bet the company' moves



- **Experienced insiders in global markets**

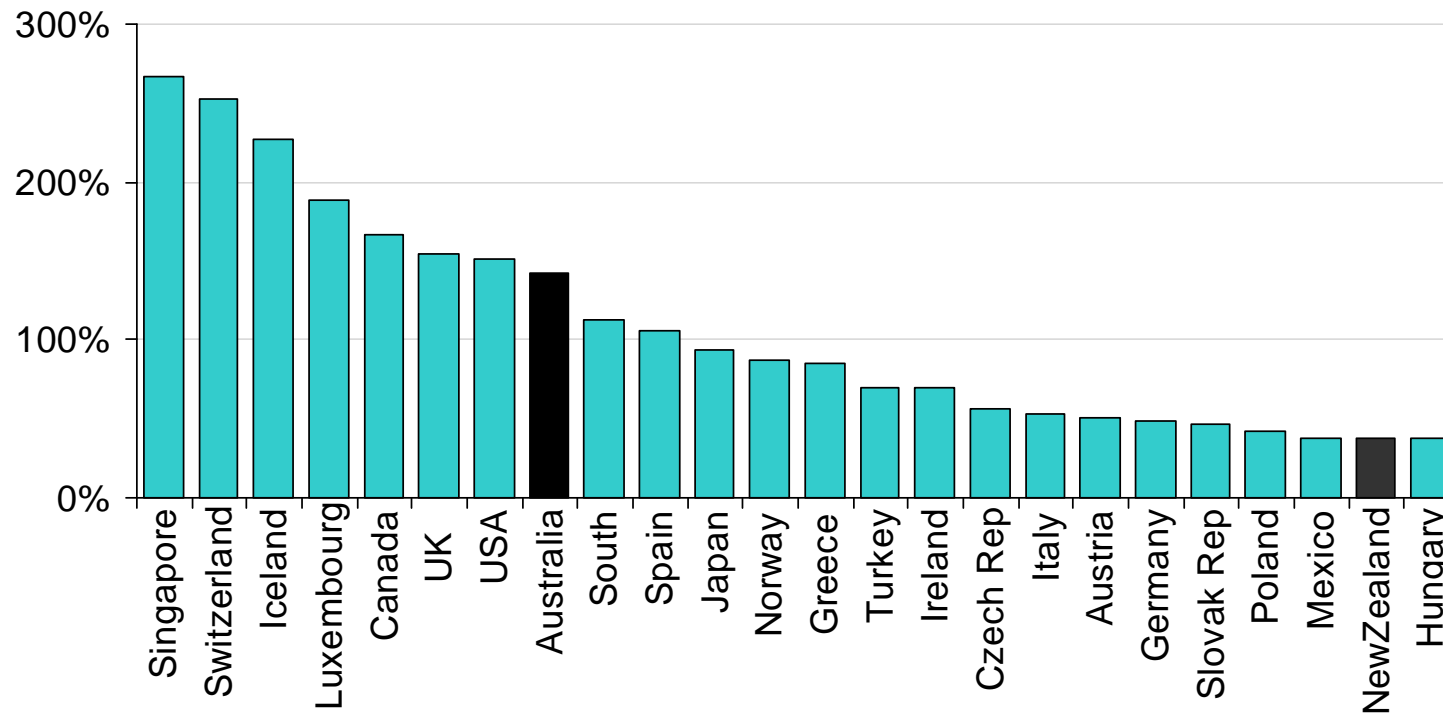
- Major investment based largely on outside-in analysis
- NZ executives with little international experience leading offshore operations

# GOING GLOBAL IS ABOUT MORE THAN EXPORTING



# NEW ZEALAND'S CAPITAL MARKETS ARE RELATIVELY SMALL

Market capitalisation of national exchange as a % of GDP, 2006



Source: IMF; Deutsche Bank; relevant national exchange for Iceland, Canada, Slovak Rep, and Czech Rep.

## CONCLUDING REMARKS

NZ has a significant economic challenge, and going global is central to the task of addressing this challenge

The Australian market is important, and is increasingly open to entry by New Zealand firms, but New Zealand is running significant trans-Tasman trade, investment, and people deficits

Progress needs to be made in terms of both the business environment (e.g. capital markets, infrastructure) as well as in terms of the capacity and aspiration of New Zealand firms