

Let's Talk About the Big Issues for 2019

Opinion: At the beginning of every year leading NZ economists are given the opportunity to identify what they see as the big issues on the horizon for the economy.

A recent NZ Herald article identified the consensus as:

- The US economy
- The Chinese economy
- NZ inflation caused through wage growth
- House prices/affordability
- Commodity prices with a focus on the dairy pay-out.



Bill Taylor, Affiliate

Living in small town rural New Zealand we often see our priorities in a different light.

Of late our local farming economy has enjoyed largely a great growing season and excellent farmgate returns providing a foundation for our local economy.

Anecdotally my list, based more on observation and conversation rather than data analysis, is:

- **Infrastructure Investment.** Provincial New Zealand has become fashionable with people selling their city homes, purchasing in the provinces and investing their remaining equity. This naturally puts stress on existing infrastructure, which in many cases has been weakened through years of inadequate investment. Under this umbrella I include health, social and education. In many of these areas Provincial New Zealand has been chronically underfunded.
- **Tighter Financing Criteria.** Although interest rates are at historic lows, the banks' lending criteria has tightened considerably in recent times. With banks facing further regulation this is unlikely to be reversed in the foreseeable future. I am seeing businesses (both commercial and rural) struggling in this area.
- **Compliance.** Over recent years we have seen an explosion in the level of compliance that business owners face. This is showing no sign of abating, with new legislation scheduled to pass through parliament this year and courts continually interpreting existing legislation.

- **Wage Pressure.** This comes not only from the progressive increase in the minimum wage (rising to \$17.70 on 1 April) but also many industries are struggling to find workers as the economy nears full employment and the tap has been tightened on immigration. Many businesses are still trying to absorb wage increases rather than increasing prices and facing resistance from their customers.

Pressure from compliance and wage increases are seeing many small business owners questioning their existing business model and becoming owner operators rather than face the stresses of being an employer.

So, what are my thoughts on all this?

Business will face plenty of head wind in the coming year from all directions. Even if in many respects New Zealand has a robust economy don't underestimate the risk of a sudden slow down. When making decisions look at what makes sense commercially in the medium to long term rather than based on potential short-term gain.

By Bill Taylor. *Bill is an accountant with MCI & Associates and local businessman. He has extensive practical experience in accounting and business, with a particular interest in taxation. He participates in many community activities and is currently a trustee of the Dannevirke High School Board of Trustees and the Scanpower Customer Trust.*

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MCI & Associates Ltd. 6 Gordon Street, Dannevirke & 139 Main Street, Pahiatua
Tel: (06) 3747059 & (06) 3767476 email: info@mcia.co.nz