

Megatrends of relevance to exporters

Megatrends are long-term overarching global and domestic forces that have significant implications for business, economy, society, and the personal lives of people. These forces transcend business cycle trends and can structurally change global patterns of supply and demand. Megatrends have the potential to alter the types of goods and services New Zealand has a comparative advantage in trading, and who we trade with.

To incorporate megatrends into forward planning, it is best to step aside from projecting ahead in a linear fashion, such as typical economic projections do. Instead, megatrends are best treated as potential future states of the world that might alter how we make decisions today. Megatrends of relevance to exporters include, but are not limited to:

- Structural change as a result of the COVID-19 pandemic. Even after the immediate disruptions to daily lives and business are behind us, and the recovery is firmly entrenched, there are likely to be long-term changes within some industries as a result of the crisis. Not only will travel and consumer demand patterns evolve, but some businesses may continue to operate in a different manner and adjust their supply chains to minimise future risks of disruptions.
- An expanding middle class in developing countries has created new opportunities for exporters, particularly in countries such as China, India and other parts of South East Asia. As incomes in these countries rise, tastes and preferences are changing, which is pushing up demand for some of the high-quality agricultural products that New Zealand farmers are renowned for.
- Rising risks of nationalism, however, do pose some risks for exporters. Shifting global dynamics have raised global geo-political tensions. Over recent years, we have seen this manifest in trade wars between the US and China. These tensions are unlikely to go away and our exporters could be caught in the crossfire of any disputes.
- Climate change will have indirect effects, even before any direct effects are materially felt. Indirect effects stem from climate concerns changing tastes and preferences of customers for agricultural and tourism products. Government policy will also create costs and constraints as we work towards zero carbon and more circular flow models in waste streams.
- Older people are an increasingly large and willing part of the labour market. People are working longer before they retire and managing this trend is a challenge for employers to make the most of their contribution. When older workers eventually retire, replacement demand for workers will rise at a faster rate and competition for young workers will intensify between regions.
- The nature of work is changing. Younger workers have different expectations of work than earlier generations. They are more likely to prioritise lifestyle with shorter working weeks and remote working arrangements. Contracting is more common, as is having side projects and changing careers. Lifelong learning and a focus on transferable skills is becoming more important.
- Automation is expected to have widespread, but uncertain effects on the future of work. Industries with a lot of routine are most at risk of automation, while opportunities will be created in other industries, such as those focussed on design and programming. But even if there is a 1:1 replacement, the transition will be challenging for those affected and jobs that are created are more likely to be in urban rather than rural areas.
- Economic development's focus is shifting towards inclusive growth and wellbeing. No longer can increasing GDP be the key goal. Instead lifting the bottom, reducing inequality, ensuring people are satisfied and doing this all in a sustainable manner are also important. These themes are apparent in central government plans, as well as in regional strategies.