

STELLARIS

THE OFFICIAL NEWSLETTER OF STELLARIS LTD



MEETING FACILITATION



TRAINING WORKSHOPS
FOR TRUSTEES AND
DIRECTORS



COACHING AND
MENTORING OF KEY STAFF
AND BOARD MEMBERS



POLICY DEVELOPMENT

STELLARIS IS YOUR ONE STOP
SHOP FOR ALL THINGS GOVERNANCE

STRATEGIC STARTER OF THE MONTH

WHAT ASSUMPTIONS DO YOU MAKE WHICH ARE NOT BASED ON FACT?

ASSUMPTIONS

You have to make assumptions when designing your strategic plan. The future is unknown. Still, you design your future with the actions you take today.

Those actions are based on your view of the future which, in turn, is based on your beliefs or assumptions.

For example, the Official Cash interest Rate set by the Reserve Bank (OCR) has averaged 6.91% since 1985. The OCR is at 2.25% today so it is a no brainer that interest rates will rise.

Of course, this has been true since 2011, the last time the OCR was anywhere near 6.9%.

So the belief that interest rates will go up has been wrong (so far) for a decade but at least it had a basis in fact.

I read a respected economist this week who stated that while last year's pandemic was "unprecedented", this year it is "precedented". We therefore know what the economy will do this time around, he said.

The share market agrees: In March last year the NZX dropped 25%. On August 18th this year the NZX rose by 3%.

But what are the facts?

- ▶ This year New Zealand is alone in being a closed economy (not counting North Korea). Where we were a safe haven for business in 2020, now we are a pain to trade with. Container shipping lines and TV production companies would rather not be here.
- ▶ Last year people were fearful for the future but now businesses have worked out whether they can survive or not. They are in a position to make more rational decisions to close or stay open.
- ▶ Last year firms had to create new processes on the fly. This year most companies know what they are allowed to do. Interestingly public opinion plays a role with the Warehouse Group less keen to take the wage handout than in 2020. Will the sugar hit of the Covid support be lower than in 2020?

Do any of these facts change your forward plans?

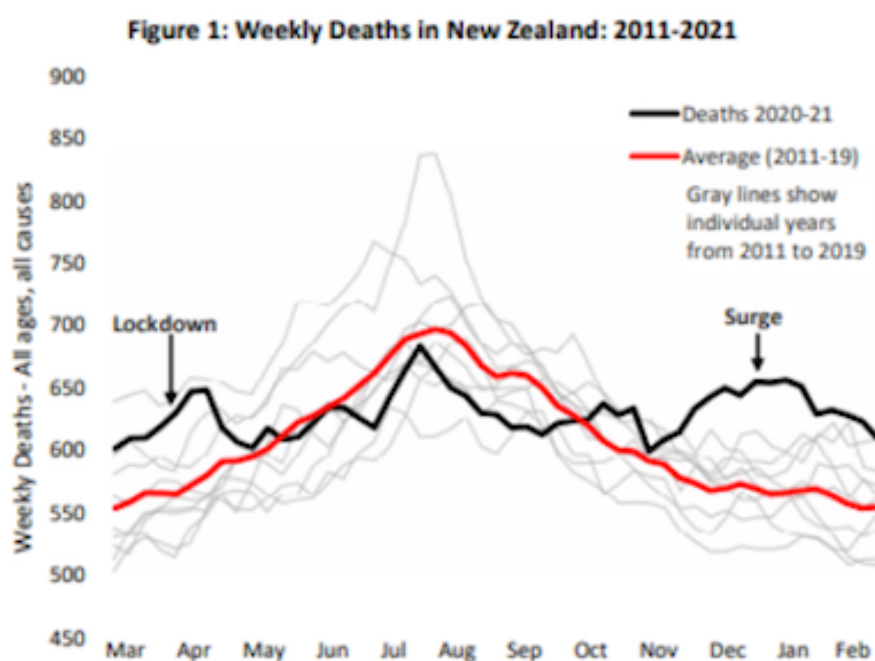
Example: Here is an example where reasonable assumptions can be questioned and might make for different investment decisions for a firm providing services to older people.

An assumption about lockdowns as a response to Covid is that it saved lives -especially older people. That seems like a reasonable assumption. Not only were people saved from Covid but also from the effects of 'flu and other seasonal diseases.

If this is the case then a business will benefit if it provides a service directly to older people or other services to older people e.g. rest homes, medicines, etc. It might make sense to ramp up investment to cater to increased numbers in this age group.

Did the lockdown save lives?
It certainly saved deaths from Covid.

Looking at the graph you can see the grey line for 2016 when we had a bad flu season shows a peak with significantly more deaths -around 850 compared to fewer than 700 in 2020. However, a University of Waikato study concluded:



Source: NZAE_Poster_postponed_deaths_A0.pdf

The fall in all-causes mortality after lockdowns in 2020 is only a short-term effect.

A winter of no excess mortality was followed by four months of excess mortality totaling about 1200 deaths (ca. four percent of annual deaths). The surge in deaths was concentrated on the elderly so public health interventions only slightly postponed death."

- ▶ **Knowing this new information should the firm reconsider its investment intentions?**

HOW TO CHECK YOUR ASSUMPTIONS

When thinking of possible solutions to a problem you've identified, identify and challenge assumptions about the problem. It can help you develop a fresh perspective on the problem.

1. Identify one fact you "know" about the problem. Call this an assumption.

e.g. People buy more when prices are lower.

2. Think of two ways that the assumption could be untrue.

e.g. But they prefer expensive if it's a diamond ring.

3. If the assumption can be made untrue then what does this different perspective mean about your problem?

4. If the assumption can't be made untrue then this is a boundary of your problem to work within.



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email us at
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to discover how
Stellaris can help
you!

All training and
coaching can be
altered to suit
the level of your
Trustees and
Directors.

Let's Talk Statistics

I have included a random range of statistics. Please let me know other statistics you would like to follow.

		Previous		Latest	Comments
Business Confidence ANZ	June 2021	-0.6	July 2021	-3.8	Agriculture was -45% which is astounding given good prices. Construction sector was +21% although -60% around ease of credit.
Bankruptcies per month https://www.insolvency.govt.nz/support/about/statistics/insolvency-procedure-statistics/monthly-bankruptcy-figures/	July 2020	81	July 2021	68	Lower than the peaks of recent years (131 in Aug 2019)
GDP Growth pa https://www.stats.govt.nz/topics/gross-domestic-product	Dec 2020	-2.9	Mar 2021	-2.3	The budget is predicting annual GDP growth to be +2.9 by June 2022.
Unemployment rate https://www.stats.govt.nz/indicators/unemployment-rate	March 2021	4.7	June 2021	4.0	Trending down. Effectively full employment 117,000 unemployed
Workforce Participation rate https://www.stats.govt.nz/topics/labour-market	March 2021	67.1	June 2021	67.6	More people working as % of workforce
Inflation rate https://www.stats.govt.nz/indicators/consumers-price-index-cpi	March 2021	1.5	June 2021	3.3	Budget expected inflation of 2.5% for the year so there will be consequences
Public sector wages change. https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2021-quarter	March 2021	1.9% \$83,525	June 2021	1.9% \$84,821	Central Government up 2% and Local 1.1%
Private sector wage change https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2021-quarter	Mar 2021	1.6 \$65,421	June 2021	2.2 \$67,135	Private sector earnings up from this time last year led by 3.2% increase in construction earnings
Business lending rate (ANZ) https://www.interest.co.nz/borrowing/business-base-rates	June 2021	8.35	July 2021	8.35	Stable for now but watch Reserve Bank changes.
Tourist Arrivals -Visitors visa + Australians https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month	Mar 2021	1,783 + 766	May 2021	2464 + 31,140	Big increase from Australia but, oddly, statistics have not been updated for the past two months.
Work Visas https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month	April 2021	319	May 2021	440	Still tight.(19,000 in March 2019). Full page advert in NZ Herald from Radius Care begging to be allowed to employ nurses.(27/8/21)
Govt debt to GDP https://www.treasury.govt.nz/system/files/2021-03/fsgnz-8mths-feb-21.pdf	Jan 2021	34%	Feb 2021	32.6%	Budget predicts 34% by June 2022. One of the lowest in the world.
Household debt as % of household income https://www.rbnz.govt.nz/statistics/key-graphs/key-graph-household-debt	Dec 2020	165.6	Mar 2021	167	Scary...but serviceability has improved to 5.4 % from 5.8% of income in Dec.
Credit Card Debt % annual change https://www.rbnz.govt.nz/statistics/c12	May 2021	3.2% \$5,878m	June 2021	-1.2% \$5,822m	A \$billion less than June 2019 and a \$100,000 less than June 2020. Is this saving deliberate or due to limited things to spend on?



RONNING AROUND

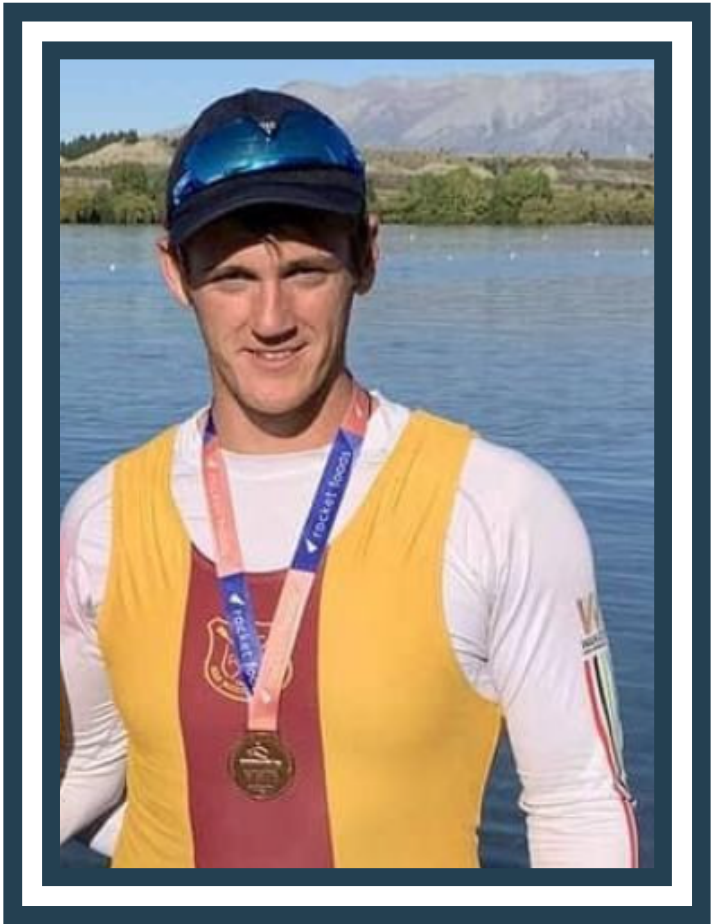
Permit me to show a bit of fatherly pride. My son James has been selected by NZ Rowing as one of 8 men in the Elite Performance Training Squad. All going well he will be an Olympian in three years' time.

There is a message for businesses here, when he phoned to tell me the news and I asked him what got him through.

"I trained when others wouldn't".

I think back to the hours he spent on the rowing machine in my driveway during last year's lockdown, the refusal to join in eating junk food, the early morning trips to the Club to get out on the water on very cold mornings and I think he is right. Its not that others **could** not. It was that others **would** not.

If you want to get in early as a sponsor or invite him to give a motivational talk then please give me a call.



MEETING FACILITATION



Whether it's a strategic planning session, a discussion group or an annual team building day - give us a call!

TRAINING WORKSHOPS FOR TRUSTEES AND DIRECTORS



We developed the 'The Directors Chair' Course, a series of workshops designed to further your knowledge and skill set in all areas of governance.

COACHING AND MENTORING OF KEY STAFF AND BOARD MEMBERS



It could be helping a CEO understand the Boards needs or talking through approaches to leadership challenges or even helping the Chair of the Board design a regular agenda.

POLICY DEVELOPMENT



We help you create fit for purpose policies for your organisation.

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