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How many times before we learn...

Unemployment statistics out today show that unemployment has risen to 4.2 percent over the last quarter. The New Zealand Manufacturers and Exporters Association (NZMEA) says that the unemployment increase reflects the decline in the domestic economy and our underlying policies that drive a boom and bust economy.

NZMEA Chief Executive John Walley says, "The job losses were inevitable with consumers staying home and keeping their hands in their pockets due to the financial crisis. This drop shows that high employment rates created by debt supported domestic spending are simply not sustainable. Sustained high employment, coupled with higher wages, will only follow the development of diverse exports sold in many markets."

Employment sectors based on the domestic economy, such as construction, wholesale and retail trade, and business and financial services have declined by 2.2, 4.9 and 2.9 percent respectively. In contrast, the manufacturing industry, which has an export focus, has increased its employment level by 6.0 percent.

"Much of the domestic spending over the past five or six years was fuelled by easy credit delivered to consumers by the banking system, including the Reserve Bank. Money attracted to New Zealand by high interest rates encouraged consumers to leverage their existing mortgages further to increase their spending, leading to ever higher interest rates and debt. The numbers show those closest to the centre of the bubble; finance, financial services, construction and retail are collapsing now that the debt feast is over," says Mr. Walley.

"The rush and rest cycle really doesn't help anyone; job losses occurring when downturns occur strip sectors of their capacity, meaning that they have to start from scratch again when conditions improve. The volatility of the exchange rate and consistently high interest rates also make it difficult for both importers and exporters to invest in the long-term with any confidence."

"The severity of the impact on the real economy is clear to see, changes to the Reserve Bank Act are desperately needed. Simply blaming world financial markets for the mess we are in ignores our fundamental economic problems and sets us up for yet another go round in a few years time when the cycle repeats itself."