



**3 December 2008**

## **Forever late - last up and last down**

The Reserve Bank of Australia cut its cash rate by 100 basis points yesterday widening the gap between their rate and New Zealand's. The New Zealand Manufacturers and Exporters Association (NZMEA) are calling for a big cut to our Official Cash Rate (OCR) on Thursday to close this gap and better support an economic revival.

NZMEA Chief Executive John Walley says, "The interest rate differential helped cause our debt problems and inhibited export growth, leading to this economic decline. Even now that we are in recession, the lesson does not seem to have been learnt."

Big interest rate cuts have been occurring around the world recently, which has left all of our major trading partners with significantly lower rates. The United States are at 1%, the United Kingdom is at 3% pending another cut on Thursday (predicted by 40 out of 62 economists in a Reuters poll to be another 100 basis points), Australia are at 4.25% and the European rate is 3.25% (with a 50 basis point cut predicted on Thursday).

"All of this leaves New Zealand's OCR 2.25 percentage points above our nearest rival. Considering we were the first of this group to go into a recession it seems ridiculous that we are the last to take serious action," says Mr. Walley.

"The sooner we bring down the interest rates the sooner the economy will see the benefit. A review of our monetary policy is needed due to its obvious negative affects on such a trade dependent nation, but it is important that we pave the way for an export led recovery in the meantime."