NZ Manufacturers and Exporters Association
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18 December 2008

What are we waiting for?

The new Budget Policy Statement and the Federal Reserve's 75 to 100 basis point cut to interest rates in the United States have delivered further bad news for New Zealand. This news challenges assertions that the recession is over with Deutsche Bank economist Darren Gibb estimating that "it's probably only half way through." The New Zealand Manufacturers and Exporters Association (NZMEA) says that better incentives to encourage investment in productive activity and a further 100 basis point interest rate cut in January are needed to support an export led recovery.

NZMEA Chief Executive John Walley says, "The US cutting rates down towards zero is a pretty extreme measure; it certainly makes our Reserve Bank's last cut into what they claim to be "expansionary" territory look very timid. We have heard confident predictions from our Reserve Bank that we are now out of recession, but with the US in such bad condition, and Europe, Australia and Asia slowing, it is difficult to see where exporters are going to find new markets."

"The New Zealand dollar has moved up against the US dollar on the back of widening interest rate spreads and a small confidence gain in the US, yet again leaving returns to our exporters behind the eight ball."

"We need the speculative pressure off our exchange rate sooner rather than later to give our exporters the margins they need to drag us out of recession. There is no reason why we would be delaying these cuts – the sooner we make them, the sooner they help our exporters," says Mr. Walley.

"Today's Budget Policy Statement from Bill English demonstrates the need for major changes in our policy framework. Business as usual will not encourage investment in productive activity – making more or spending less are the only solutions to the projected Sovereign Debt blowout."

"In our new world, Central Banks will be more about banking regulation than inflation, and fiscal policy will, of necessity, need to target productivity in the real economy. Bill English has correctly identified productivity as the only way to improve our awful long-term projections, but unfortunately up to now there has been no sign of any fiscal policies that will give our firms more confidence to invest and no evidence of any focus on productive activity from him.

Regrettably, running 'business as usual' policies more efficiently will not be enough. We have to address the policy issues that have caused the problem and align our economic incentives with productivity growth."[1]

[1] 'Overcoming Obstacles to Investment in Productivity Growth', http://www.mea.org.nz/document.ashx?id=406