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NZMEA backs calls for more focus on currency stability

The New Zealand Manufacturers and Exporters Association (NZMEA) is backing calls from Business and Economic Research Limited (BERL) for currency stability. Since the Reserve Bank's smaller than anticipated Official Cash Rate (OCR) cut in March the currency has appreciated considerably. This has led commentators such as Gareth Morgan to call for an immediate cut to the OCR to remedy the situation which the Association believes would be justified.

This jump in the currency results from more of the same speculative pressure on the New Zealand dollar, driving wild variations in cross rates that knock the wind out of our exporters. As BERL economist Dr. Ganesh Nana has pointed out, New Zealand's currency is among the ten most traded in the world despite the small size of the economy. This creates a situation where the fundamentals of trade have little to no influence on the value of the dollar, creating an environment that makes it all but hopeless for exporters.



NZMEA Chief Executive John Walley says, "The Reserve Bank's small rate cut, which was based on an overly optimistic view of the economic conditions, has caused more problems for our exporters who are already struggling to find markets overseas, making a further and larger OCR cut necessary. The Reserve Bank needs tools that work; what is happening more than justifies systematic changes."

"The business confidence data released by the New Zealand Institute of Economic Research and our own survey results show that the recession will be longer, deeper and more widespread than the Reserve Bank has been predicting. Decisive action is required from the Reserve Bank and more is needed from Government to implement systematic changes to the economic framework in New Zealand."