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RBNZ has room to move

The New Zealand Manufacturers and Exporters Association (NZMEA) are calling for the Reserve Bank to cut the Official Cash Rate (OCR) to two percent on Thursday. The Reserve Bank cut 50 basis points at the last review, half of what was anticipated, citing exchange rate worries and indicating a return to smaller OCR changes in the future. Since then economic conditions have continued to worsen and the New Zealand dollar has risen.

NZMEA Chief Executive John Walley says, "It is now widely anticipated that the OCR will have to go down to at least two percent as global economic problems continue, so there is little point delaying the benefit to our productive industries. Our February survey and preliminary results from March suggest that things are deteriorating quickly for the real economy so we need to see a drop in interest rates and the dollar to support margins."

"With the Federal Reserve and the Bank of England now printing money, there is a lot more room for New Zealand to move. The rise in our currency shows that there is no problem financing our external deficit under these conditions and inflationary pressures are no longer an issue, so there is no reason to persist with unnecessarily high interest rates. We might keep our powder dry for so long that there is little left to shoot at," says Mr. Walley.

"If a small OCR cut is made we risk further appreciation of the dollar which will delay any potential economic recovery. We need to see a proactive move from the Reserve Bank to stimulate the economy, rather than yet another reactive move further down the track."