



**30 April 2009**

## **Still more to do on interest rates**

The Reserve Bank of New Zealand (RBNZ) cut the Official Cash Rate (OCR) by 50 basis points this morning leaving New Zealand's interest rates much higher than many of our international competitors. The New Zealand Manufacturers and Exporters Association (NZMEA) say that while this cut could have been larger, comments in the statement recognise just how fragile things are right now.

Dr. Bollard looked to take some speculative pressure of exchange rates and keep some downward pressure on interest rates saying, "We expect to keep the OCR at or below the current level through until the latter part of 2010."

NZMEA Chief Executive John Walley says, "It is a shame that we didn't see this cut last month, as the appreciation in the dollar and the rise in long term interest rates since the last monetary policy announcement has been something of a setback. The announcement today goes some way towards rectifying that but there is still more room to drop rates."

"We welcome Dr. Bollard's decision to signal his intention to keep the OCR at lower levels for longer. This will allow banks to lower interest rates and take some of the heat out of currency markets."

"With inflationary pressures very low there is room for further cuts to the OCR and we would like to see rates dropped further, well below two percent. This would help our exporters."

"In the medium term it is also important that we explore other means to control inflation that do not drive currency volatility; this is a key change to support the badly needed investment in productive export activity."