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## **86% support inquiry into financial sector - survey**

86 percent of respondents supported an inquiry into the financial sector in a survey conducted by the New Zealand Manufacturers and Exporters Association (NZMEA) over the last two weeks of June. This survey comes out on the heels of the Finance and Expenditure Select Committee's decision not to have an inquiry into bank's lending practices.

The survey found that:

- 63% of respondents reported that their bank had increased the margins they paid on credit facilities;
- 57% of respondents reported that their bank had tightened covenants associated with their credit facilities;
- 55% of respondents reported that their bank had increased charges associated with their credit facilities;
- 27% of respondents reported that their bank had tried to increase their credit facility costs but maintained existing arrangements when they complained; and
- 46% of respondents reported that their bank had used the opportunity of any change of credit facilities to increase cross guarantees.

NZMEA Chief Executive John Walley says, "These results show clear and deep dissatisfaction with the banks; not universal but very strong. There is overwhelming support for a wide ranging inquiry into the financial sector and its impact on the real economy."

"The issue is far more complex than simply looking at the gap between the Official Cash Rate and retail interest rates. We have no control over credit volumes that fuel inflation when the domestic economy is having a party and constantly place unwarranted upward pressure on our exchange rate. This process is further compounded by New Zealand's asset tax haven."

"Part of this discussion should involve a debate on the role that Kiwibank might play in driving competition in the mainly foreign owned banking sector," says Mr. Walley.

"The attitude from the majority of the Select Committee seems to be that the Reserve Bank will look after interest margins, but the issues are much wider. Problems caused by monetary policy and tax imbalances lie at the very heart of the economic crisis and its solution."

"What we do as we come out of the crisis will determine the shape of the next growth cycle; either another debt driven asset bubble, or strong growth in the real economy, export returns and jobs. We should focus on how to stop the first and encourage the second even in the face of vested interests fighting for the status quo."

To view the survey results visit: <http://www.mea.org.nz/document.ashx?id=562>