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Currency must fall for productivity to rise

The New Zealand Manufacturers and Exporters Association (NZMEA) is calling for the Reserve Bank to cut the Official Cash Rate (OCR) on Thursday to put some much needed downwards pressure on the currency. Overly optimistic comment and forecasts of a recovery from Reserve Bank Governor Dr. Alan Bollard have contributed to the dollars rise and threaten any export led recovery.

NZMEA Chief Executive John Walley says, "We risk missing the opportunity to capitalise on the global recovery if the exchange rate stays at these high levels. There have been signs of an upturn in the United States and Europe over the past few weeks and our exporters need a lower exchange rate to take advantage."

"We need to see the Reserve Bank indicate a commitment to lowering the currency whether through conventional or interventionist means."

"If nothing is done then the dollar is only likely to get higher as confidence returns and international investors seek higher interest rates."

"The continuing inflow of credit also highlights the need for a credit volume control tool to be added to the Reserve Bank's arsenal. Productivity increases will only follow more productive investment, and such investment simply will not happen unless we see systemic change that improves returns to our exporters."