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Reserve Bank must act now

The New Zealand Manufacturers and Exporters Association are calling for the Reserve Bank to drop the Official Cash Rate (OCR) now, rather than waiting for the next Monetary Policy Statement in September. The dollar has continued to rise since the last OCR review and looks set to rise further if no action is taken, so immediate action is needed to alleviate the strain on exporters.

Reserve Bank Governor Dr. Alan Bollard said at the OCR announcement last week that, "The level of the dollar in particular, is not helping the sustainability of future growth, and brings with it additional economic risks." He went on to say, "The forecast recovery is based on a further easing in financial conditions. If this easing does not occur, the forecast recovery could be put at risk. In these circumstances we would reassess policy settings."

NZMEA Chief Executive John Walley says, "Financial conditions have worsened rather than improved since last week and some economists are predicting that the dollar will get to 70 cents. The unemployment rate has already hit six percent; further jobs will be lost in the tradeable sector if the dollar persists at these high levels."

"Everyone in the real economy, farmers, miners and manufacturers, will feel the affects as the dollar surges. Attempts to talk the dollar down have not worked. The Reserve Bank needs to make a 50 basis point cut to show currency markets they mean business."