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Just more talk as the dollar climbs

Reserve Bank Governor Dr. Alan Bollard has used the release of the Reserve Bank's Annual Report today to once again warn of the affects of the rise in New Zealand's currency. The New Zealand Manufacturers and Exporters Association (NZMEA) are calling for action from both the Reserve Bank and the Government to address this problem.

Alan Bollard noted that the recent appreciation of the exchange rate has not supported the shift towards the export and import-competing industries that will be necessary to improve the international debt situation. "On these trends, there is a real risk that recent improvements in the external balance will be reversed," he said.

NZMEA Chief Executive John Walley says, "The affect the high dollar is having on the economy is obvious to everyone. The role of the Government and the Reserve Bank is to support a better functioning economy; talking about the problems continually is no substitute for action."

"It is time to do something about monetary policy. Right now action to reduce the strength of the dollar through a mix of rate cuts, currency interventions and, if necessary, quantitative easing is needed. For the future a credit volume control mechanism needs to be added to the Official Cash Rate so that when the time comes the Reserve Bank's response to inflation in the domestic economy does not further drive up the dollar and do yet more damage to the tradeable economy."