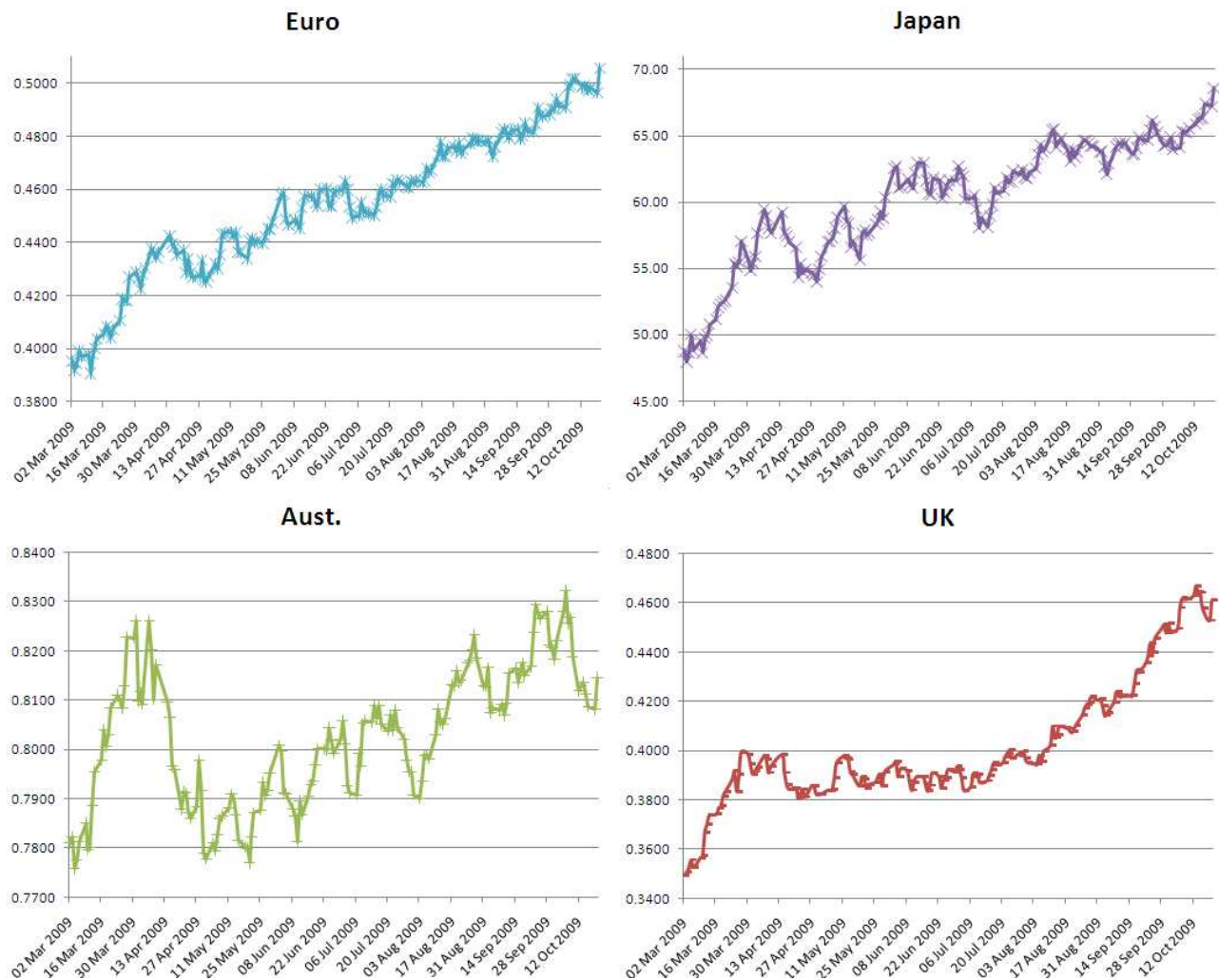


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More to this than the US dollar

Policy makers and officials are choosing to ignore the rise in the New Zealand dollar on the basis that it is a US dollar weakness story. That is simply an excuse for inaction say the New Zealand Manufacturers and Exporters Association (NZMEA). The Reserve Bank of New Zealand (RBNZ) Governor Dr. Alan Bollard commented to the Finance and Expenditure Select Committee yesterday that the strength of the kiwi against the US dollar is being driven chiefly by that currency's weakness and there was little the central bank could do to bring the currency down.



NZMEA Chief Executive John Walley says, "The New Zealand dollar has risen significantly against all of our major trading partners since March, but we have continued to see warnings and no action on this issue."

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The RBNZ June Monetary Policy Statement: "A stronger dollar at a time of weak global growth risks delaying or even reversing the projected increase in exports, putting the sustainability of recovery at risk."

The RBNZ September Monetary Policy Statement: "If the exchange rate were to continue its recent appreciation and/or the recovery in house prices were to undermine the improvement in household savings, then the sustainability of the present recovery will be brought into question."

"Sooner or later we need to see action on this issue," says Mr. Walley. "The report to the Select Committee yesterday saw a rerun of the 2007 Select Committee Inquiry merry-go-round between the politicians and the Reserve Bank officials. The politicians ask what can be done, the Reserve Bank says nothing and neither side takes any responsibility for the problem."

"Perhaps we need to pay our public servants in US dollars to see some leadership on this matter."