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Down before up for the OCR

An Official Cash Rate cut will take the pressure off our tradeable economy say the New Zealand Manufacturers and Exporters Association (NZMEA). An export led recovery is not possible unless this happens. The NZMEA supports Federated Farmers' call for a 50 basis point cut; such a cut is three months overdue.

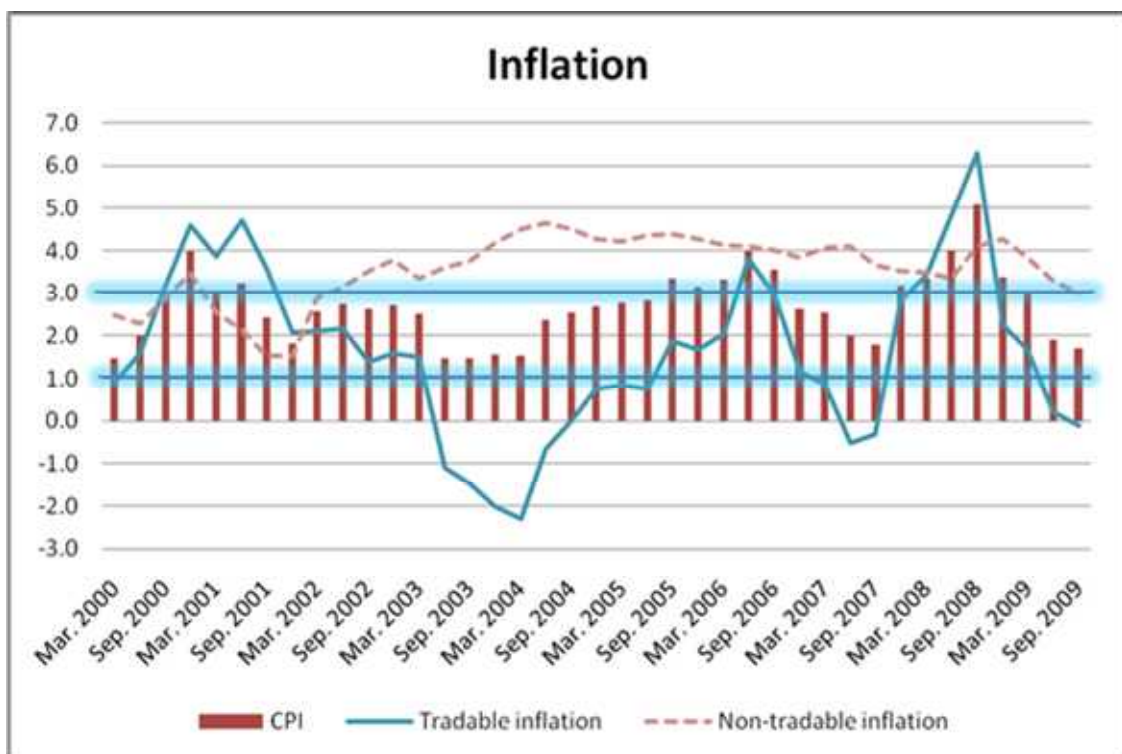
NZMEA Chief Executive John Walley says, "The Government has been at pains to point out that the tradeable economy has been in recession for five years. The real economy will only continue to deteriorate while the dollar remains at these elevated levels. Our last survey showed a 43 percent decline in export sales in August compared with a year ago suggesting that the tradeable economy is still not close to any sort of recovery."

"We have seen the effects that recent low sales volumes and persistent low margins have had on Bridgestone, and other firms are indicating that they are also close to the edge."

"Preferential trade deal efforts are wasted if the currency undermines export competitiveness."

"Headline Cost Price Inflation (CPI) was 1.7 percent for the year to September which leaves the Reserve Bank with some room to move. Immediate relief is necessary to prevent more job losses."

The latest figures show that tradeable CPI has declined 0.1 percent over the past year while non-tradeable inflation has grown by 3 percent. This continues the trend of persistent inflation in the non-tradeable sector.



New Zealand Manufacturers and Exporters Association

“The Government needs to tackle the structural problems presented by our fiscal and monetary policy settings,” says Mr. Walley. “Government spending, taxation biases and inflation management are behind this disconnect between the non-tradeable and tradeable economies.”

“It is unacceptable to just shrug off the currency problem. The problems for exporters are an inevitable consequence of our policy settings, and these must be changed if we are to see a balanced economy.”