supporting the real economy

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Lower for longer must be the message from the RBNZ

A negative Cost Price Inflation (CPI) figure for the December quarter means that lower for longer must be the message from Dr. Alan Bollard at the Official Cash Rate announcement on Thursday say the New Zealand Manufacturers and Exporters Association (NZMEA). Low inflationary pressures and little growth as the economy explores the bottom of the recession justify a longer period of stable monetary policy.

NZMEA Chief Executive John Walley says, "Economic surveys are certainly showing that things are getting a little better off a very low base but there is a huge hole to fill; revenue is still down around 20 percent from the peak and jobs are still down around 13 percent. Confidence might be a leading indicator but margin is the precursor to more investment and more jobs. Monetary policy has a part to play in supporting the economy and lowering the exchange rate to give our exporters a chance."

"The year on year CPI figure of two percent is still well within the target band and there is the potential for it to move down rather than up for at least the next two quarters."

"A lower dollar is needed to put balance in any recovery, so a firm message from the Reserve Bank that rates will stay low until the end of the year is needed to deliver better conditions for the real economy."

"Hopefully a lesson has been learnt from earlier optimistic announcements that caused unnecessary rises in the New Zealand dollar."

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