



MEActive - June 2010



Welcome to the New Zealand Manufacturers and Exporters Association's monthly e-news, giving a series of updates on what we have been working on to make things better for manufacturers and exporters.



- [CEO Comment](#).
- [NZMEA Alert](#) - Call for comments on submissions/discussion documents.
- [Media Coverage](#) - Where we have been reported over the past month.
- [Media Releases](#) - Circulated to all media by the NZMEA.
- [Upcoming Events](#) - [My 1000 Days in China](#), [Skills4Work](#).
- [NZMEA Survey of Business Conditions](#).



CEO Comment: Will the interest rate cycle restart?

The decision to raise the Official Cash Rate (OCR) has sparked fears that we may see the same high interest rates, high exchange rates and a repeat of the domestic economy bubble that was evident from 2002 to 2008.

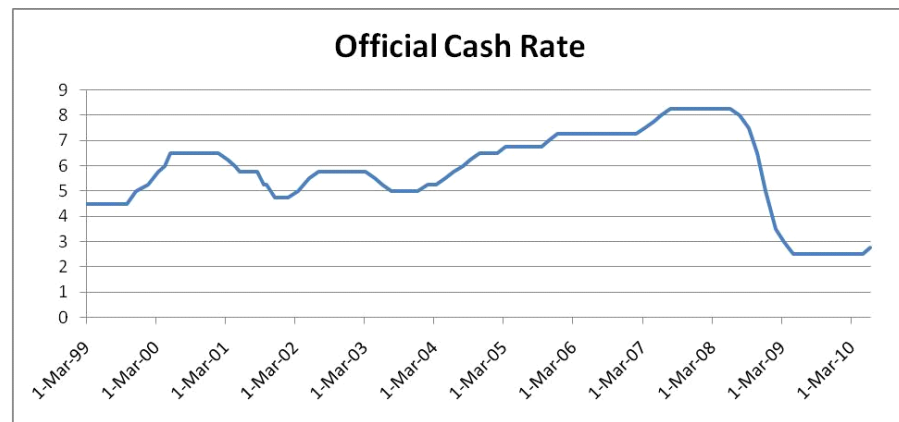


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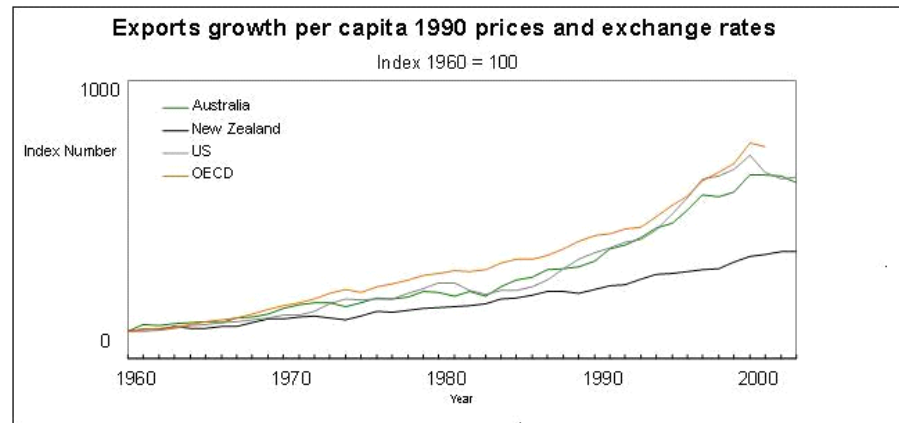
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The effect on export growth since the Reserve Bank Act was introduced in 1989 has been evident by its absence.



Reserve Bank Governor Alan Bollard has expressed some confidence that the OCR will not reach the same highs as it did in the previous cycle. He said in the Monetary Policy Statement that, "The fact that bank funding costs are higher, long-term interest rates are higher than short-term interest rates, and a greater proportion of borrowers use floating rate mortgages should all reduce the extent to which the OCR will need to be increased relative to previous cycles."

However, it is not the level of the interest rates that is important, it is the differential between New Zealand and other countries that determines its impact of the carry trade on the exchange rate. While interest rates may well remain lower in the next cycle, this competitive element will determine the impact of the OCR on exporters. Already we have seen that other central banks, Australia aside, have been reluctant to raise their official rate and we see the carry trade responding to the increases in interest rates.

A new tool is needed to disengage the intent to control inflation from exchange rate, impacts. It was recently reported that the NZ\$ is traded to [43% of GDP on a daily basis](#) - who does that serve?

There are a number of macroprudential and other measures which could provide the Reserve Bank with additional policy tools to address inflation in the non-tradeable sector without fueling the exchange rate and inflicting severe damage to the tradeable sector.

No action in this regard simply sets up the New Zealand economy to another highly damaging cycle for the trade exposed economy, and this time round, fewer viable firms will be around to worry about what happens next. Absent investment, fewer jobs and ever lower growth await yet another trip around this merry-go-round. There has to be a better way.

MEAlert

PhD Research – Questionnaire on Salespeople

We have been approached by a PhD Student from AUT to assist with her research project: "The salesperson's role in the realisation of the potential value of a business buyer-seller relationship". The key purpose of the research is to identify which types of salespeople's activities have strong impact on the availability of the customer's resources that are useful for the seller, and can influence the outcome of the relationship for the seller. If you would like to participate [click here](#) where you can participate, just print, complete and either fax or post back.

Media Coverage

Where the NZMEA was reported during May.

7 May	Voxy.co.nz	Hope triumphs over uncertainty as confidence improves. <i>Internet.</i>
7 May	The Press	Recession still hurting Christchurch job market. <i>Newspaper.</i>
10 May	The Press	Interest rate rise 'too soon'. <i>Newspaper.</i>
10 May	Marlborough Express	Call for Reserve Bank to hold off on rate rise. <i>Newspaper.</i>
10 May	Radio NZ	Comments on the impact of European currency depreciation. <i>Radio.</i>
11 May	NZ Herald	R&D focus positive, say businesses. <i>Newspaper.</i>
11 May	Scoop.co.nz	Pale shadow of the R&D tax credit. <i>Internet.</i>
11 May	Voxy.co.nz	NZMEA: Pale shadow of the R&D tax credit. <i>Internet.</i>
12 May	Voxy.co.nz	Chorus of praise for R&D announcement. <i>Internet.</i>
12 May	Engineering News	Where production goes R&D follows. <i>Magazine.</i>
12 May	TVNZ.co.nz	Science funds welcomed by business. <i>Internet.</i>
12 May	ODT	Science funding decision wins support. <i>Newspaper.</i>
12 May	NZ Herald	Big companies to gain from research boost. <i>Newspaper.</i>
12 May	Voxy.co.nz	Phil Goff finally beating on the right drum – Productive Economy Council. <i>Internet.</i>
14 May	Interest.co.nz	'Productivity Pandas' win Alternative Budget Competition; propose fuel tax as RBNZ lever. <i>Internet.</i>
17 May	Interest.co.nz	Why less 'hot' foreign borrowing means a more stable NZ\$. <i>Internet.</i>
18 May	The Press	Big firms hail R&D boost. <i>Newspaper.</i>
19 May	Voxy.co.nz	Action needed on business lending contraction. <i>Internet.</i>
19 May	Guide2.co.nz	Change lending rules – manufacturers and exporters' group. <i>Internet.</i>
19 May	Headliner.co.nz	Action urged on lending squeeze. <i>Internet.</i>
19 May	Interest.co.nz	English indicates Budget 2010 will increase effective tax rates on property. <i>Internet.</i>
20 May	CTV	Comments on Budget 2010. <i>TV.</i>
20 May	Scoop.co.nz	Rhetoric does not match the reality. <i>Internet.</i>
20 May	Voxy.co.nz	NZMEA: Rhetoric does not match the reality. <i>Internet.</i>
21 May	CTV	Comments on Rob's Country. <i>TV.</i>
21 May	CTV	Panel discussion on CTV. <i>TV.</i>
27 May	NZ Herald	Tax change foolish, say manufacturers. <i>Newspaper.</i>
28 May	Scoop.co.nz	IMF report shows Budget not even close. <i>Internet.</i>
31 May	The Press	Reaction mixed on Budget impact. <i>Newspaper.</i>

Media Releases

Media releases submitted by the NZMEA during May. [Click here](#) to read the latest media releases.

7 May	Hope triumphs over uncertainty as confidence improves.
11 May	Pale shadow of the R&D tax credit.
19 May	Action needed on business lending contraction.
20 May	Reality does not match the rhetoric.
28 May	IMF report shows Budget not even close.

Upcom
Events
[Click
here](#)
for
informa
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to register for our upcoming events.

01 July	Auckland: Lunch with Bill English.
06 July	Forum: Industrial Product Branding.
06 July	Forum: Have a Successful Business - Post Crisis - Auckland.
15 July	Forum: Developing Products to Deliver Value - Christchurch
22 July	Forum: Effective Health & Safety Systems - Christchurch.
22 July	Forum: Creating Wealth from Ideas - Auckland.

Producti
Improv
Event
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28
July
Skills4

are providing an opportunity to hear from leaders of local companies who have started on the productivity improvement journey. Rod Oram and John Cook will discuss productivity and the New Zealand economy. This event focuses on focuses on the value and importance of workplace productivity programmes; vital in today's competitive and economic environment. You are also invited to attend the Skills4Work AGM prior to this event, and meet the Board Chairman, Grant Arnold of Carter Holt Harvey. Please [email](#) Skills4Work for more information.

My 1000 Days in China - Comment from the Inside - 29 July

Ian McInnes is the Managing Director of Climate Solutions, AES, China, one of the worlds largest power companies. This is a lunch time presentation where Ian will discuss his role and experiences. After lunch there will be an additional session from Ian on "Life in China". [Click here](#) for more information. NZMEA members can attend at NZIM member rates.

John Walley
Chief Executive
NZ Manufacturers and Exporters Association

