



MEActive - March 2011



Events

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.



Media

- [CEO Comment](#).
- [Media Coverage](#) - Where we have been reported over the past month.
- [Media Releases](#) - Circulated to all media by the NZMEA.
- [Upcoming Events](#).
- [NZMEA Survey of Business Conditions](#).



CEO Comment: Ineffectual OCR Reinforces Need for Change

The cut in the Official Cash Rate (OCR) stands to do little for New Zealand's economy. It may take some pressure off the currency which will help exporters, but with the Christchurch earthquake and an economy in recession the dollar is likely to be on a downward track in any event. With interest rates already low another slight drop is unlikely to get further investment over the line.



Contact us

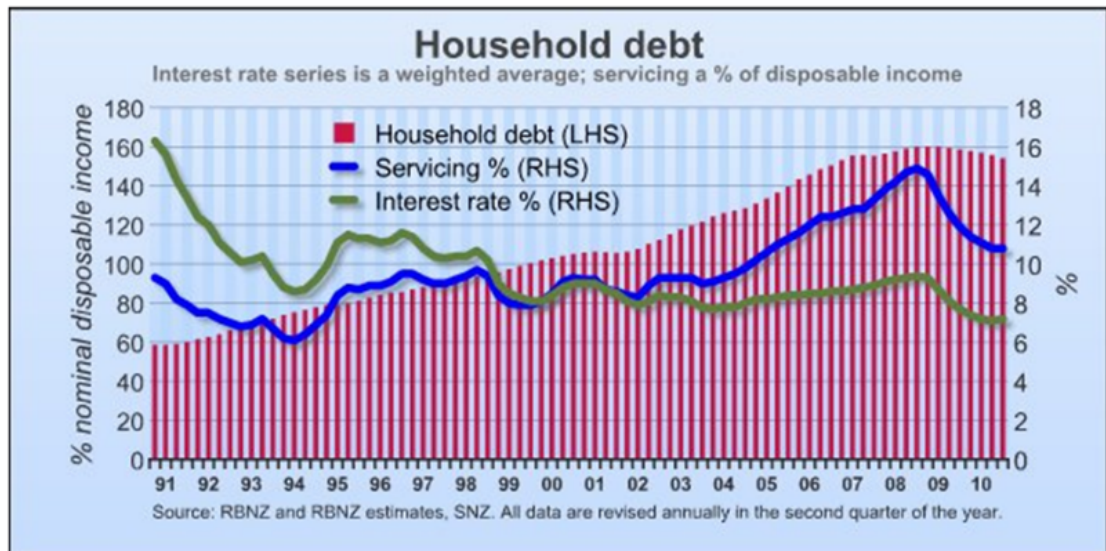
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The real issue is that an interest rate differential between New Zealand and other western countries over a number of years caused overseas credit to come in creating two problems. Firstly it overvalued the New Zealand dollar reducing the profitability of our exporters and secondly it fuelled the housing bubble that has blown out household debt levels.



A far more effective way of stimulating and restricting the economy to counter economic cycles would be Loan to Value Ratios (LVRs).

LVRs allow the Reserve Bank to specify a minimum deposit for the purchase of any type of asset. This prevents banks offering zero or low deposit debt in times of free credit that can lead to asset bubbles and eventually financial failures. The economy can be stimulated by loosening these requirements in tough economic times.

In a recent paper called 'Policies for Macrofinancial Stability: Options to Deal with Real Estate Booms' from the International Monetary Fund recognised that:

"macroprudential tools (such as maximum loan-to-value ratios linked to the real estate cycle) appear to have the best chance to curb a boom. Their narrower focus reduces their costs. And, in the case of measures aimed at strengthening the banking system (such as dynamic provisioning), even when they fail to stop a boom, they may still help to cope with the bust."

The OCR is a blunt tool that has caused significant damage to the tradeable economy. It is time we looked at more targeted controls to ensure that we do not continue to rack up further debt and hinder the tradeable sector in the process. Canada are implementing such controls, we must too.

Media Coverage

Where the NZMEA was reported during February.

3 February	Voxy.co.nz	Unemployment Rise Needs Policy Action. <i>Internet.</i>
3 February	Interest.co.nz	Migration Policy Linked to Inflated Housing Prices, Government Spending and Low Savings. <i>Internet.</i>
4 February	Scoop.co.nz	Unemployment Rise Needs Policy Action. <i>Internet.</i>
4 February	Scoop.co.nz	MEA Still Waiting on a Real Recovery. <i>Internet.</i>
4 February	Sharechat.co.nz	Business Confident Even Though Sales Are Low. <i>Internet.</i>
4 February	Stuff.co.nz	Business Confidence on the Rise. <i>Internet.</i>

4 February	Ninemsn.com	New Zealand Business Confident Despite Lower Sales. <i>Internet.</i>
4 February	RTTnews.com	New Zealand Business Confidence Rises Despite Lower Sales. <i>Internet.</i>
5 February	NZ Herald	Survey Shows Confidence. <i>Newspaper.</i>
5 February	Waikato Times	Where Are The Jobs? <i>Newspaper.</i>
7 February	The Press	Sales Down But Business Outlook Rosy. <i>Newspaper.</i>
9 February	NZmanufacturer.co.nz	More of the Same. <i>Internet.</i>
15 February	NZ Exporter	Turning the Corner? <i>Magazine.</i>
24 February	NZ Herald	Christchurch Earthquake: Big Firms Escape Worst But Await Damage Reports. <i>Newspaper.</i>

Media Releases

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

4 February	Unemployment Rise Needs Policy Action.
9 February	More of the Same.

Upcoming Events

[Click here](#) for information and to register for our upcoming events.

6 April	Workshop: Optimise Cost of a Product in a Competitive Manufacturing Organisation - Auckland.
7 April	Forum: Tax Update for Exporters - Auckland.
13 April	Workshop: Proactive Selling - Christchurch.
14 April	Forum: The Key to Avoiding Cartel Conduct - Auckland.
14 April	Forum: Legally Using Open Source Software - Christchurch.

Support: We offer support from our HR Advisors and other members, MEAssist, regular service calls to members, and our qualified list of Associate Members. The Association can also help with business improvement planning through the NZMEA's business diagnostic tool 'M measure' or a "Solutions for Progress" session.