

Interest rates should come down

Contributed by Hemant
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National Party leader John Key today gave Reserve Bank governor Alan Bollard the message that New Zealand interest rates need to come down, and the sooner the better.

"Overnight we saw five or six central banks getting together and cutting interest rates and the Australians cut interest rates two days ago," he told reporters on the campaign trail today.

"While the Reserve Bank governor is independent, my view is that interest rates do need to come down in New Zealand.

"We would be eager for him to be addressing that issue and whether he addresses it on October 23 or earlier is ultimately his call."

Dr Bollard said today the bank was monitoring international developments very closely and he thought measures it had already taken were sufficient at this stage.

The bank is due to make a decision on interest rates on October 23, and economists are increasingly predicting it may cut the rate by up to 100 basis points, or a full percentage point, from the current 7.5 per cent.

But Mr Key said there was international turmoil in financial markets.

"I think it would be in New Zealand's best interests for those interest rates to come down as rapidly as they can, hopefully before October 23," he said.

"You've got a situation where Australia cut by 100 basis points, that's putting a lot of pressure on our exchange rate as we rise higher against the Australian dollar."

New Zealanders were under a lot of financial pressure, Mr Key said.

"I think for the health of the banking system, and for confidence in the New Zealand economy, interest rates should come down now.

"It's the reserve bank governor's decision and I'm sure he'll monitor that, but I think they should be going lower, a minimum of 50 basis points and you can't rule out a bigger cut."

A spokesman for Finance Minister Michael Cullen said the bank was independent of politicians and it would not be appropriate for the Government to say anything that could be interpreted as putting pressure on it.