

Key doubles down on instruction to RBNZ to move faster on LVRs, despite RBNZ speech saying it will only tighten LVR rules by end of 2016; Key also rejects RBNZ suggestion for migration review

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Prime Minister John Key talking to Stuff on July 8.

By Bernard Hickey

In another sign of growing tensions between the Government and the Reserve Bank, Prime Minister John Key has responded to the bank's call for a 'team effort' to address housing imbalances and its refusal to urgently tighten Loan to Value Ratio (LVR) rules.

Key repeated comments from Tuesday in which he told the Reserve Bank to 'get on with it' when referring to plans to tighten LVR rules for investors in Auckland and beyond.

Key's comments on Friday followed a speech by Deputy Governor Grant Spencer on Thursday night that held back from an urgent introduction of new LVR rules and instead called on the Government to review tax incentives for investors and suggested a review of migration settings. [See more in David Hargreaves' article on the speech.](#)

Key was speaking in a [live chat on Stuff.co.nz](#) on Friday about the housing crisis/challenge and doubled down on his implied criticism of the bank.

"I stand by what I said, I think they should get on with it," Key said.

"The Bank's making the point that it's a team effort, but the Government is doing an enormous amount, and local government is as well," he said.

"Actually we're all in this together. We're not critical of the bank, but we're just simply saying it's not like they don't understand LVR restrictions," he said.

"We gave them that tool in their toolbox. They know exactly how to do it and they can do it very quickly."

Migration review rejected

Key also rebuffed the Reserve Bank's suggestion of a review of the skill levels in the migration settings, given concerns about both the effects on the housing market and on skill levels more generally due to high levels of temporary and student migration. See more on Treasury's concerns about low skilled migration in [this article](#).

Key said the Government had already taken 50 categories off the skills shortage list for migration.

"We don't just let anyone come," Key said.

He said overseas students and those on working holidays were renting rather than buying houses.

"The single biggest changes are Kiwis either not leaving, or returning, or Aussies coming over. It's actually a sign of success in the economy," he said.

Key said skilled migrants "make the waka go faster" in areas where they were needed.

Risk of short-term surge

Earlier Economic Development Minister Steven Joyce told RNZ the Prime Minister was right to point out to the Reserve Bank that signalling a tightening a long time before the actual tightening risked encouraging a short-term surge of investors racing to get in before the rules changed.

"The difficulty with talking about stuff and not doing it is that you can actually provide a further impetus to the market in the interim," Joyce said, pointing to talk there had been a rush before the second round of LVR rules targeting Auckland investors in November last year.

"It's difficult because you can't change these things overnight, but it was entirely fair for the Prime Minister to say it would be good to get on with it if we're going to do it," he said.

"What the Prime Minister said on Tuesday was if you spend too much time saying this might happen by the end of the year then somebody who's thinking about buying a property might think I better get in before the end of the year, which can actually exacerbate short term pressures over time."

Joyce also rejected outright Spencer's suggestion of a review of migration settings.

Asked if the Government would review its settings, he said: "No. He said it should be fine-tuned and that's what we do all the time."