



**RESERVE  
BANK**

O F N E W Z E A L A N D

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# NEWS RELEASE

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## **Official Cash Rate cut to 4.75 per cent**

The Reserve Bank today cut the Official Cash Rate by half a per cent from 5.25 per cent to 4.75 per cent.

Reserve Bank Governor Don Brash commented “A good deal has changed since our last assessment in August. Even before the tragic events of 11 September, the world economy was slowing quite rapidly. The events of 11 September exacerbated that slowdown by dealing a blow to business and consumer confidence around the world, and led us to cut interest rates by half a per cent on 19 September.

“The slowdown in the international economy is already affecting the New Zealand economy and will continue to do so. Export prices are now falling across a wide front, while nervousness about air travel is having an adverse impact on the growth of tourism. Business confidence has declined markedly, and we are expecting investment spending to slow. The economy has already slowed quite sharply and is likely to continue growing rather slowly in the immediate future. This will exert downwards pressure on inflation.

“New Zealand enters this period of slow international growth in a relatively strong position with demand pressures on productive resources still evident in some areas. However, the slowdown in growth expected over the coming year should see these pressures abate, with inflation expected to fall back to around the middle of the target band.

“Monetary policy is now set to accommodate quite a bit of additional weakening in the global environment. That reflects our judgement about the risks that lie ahead. But the uncertainty in the present situation is very considerable, and it is not inconceivable that the current slowdown will prove to be short-lived.

“We will be monitoring all of the information as it becomes available, and will be constantly vigilant as to the outlook for inflation,” Dr Brash concluded.

The Reserve Bank is next scheduled to review the Official Cash Rate on 23 January 2002.

For further information contact

Paul Jackman

Corporate Affairs Manager

Ph 04 471 3671, 021 497 418, home 04 938 8177, [Jackmanp@rbnz.govt.nz](mailto:Jackmanp@rbnz.govt.nz)