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RBA cuts cash rate by 100 basis points

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The Reserve Bank of Australia (RBA) has slashed its official cash rate by a further 100 basis points following Tuesday's board meeting.

The cash rate is now 3.25 per cent, the lowest level in 45 years.

Economists had expected a cut of at least 75 basis points given the rapid deterioration in the global economy since the central bank last cut the rate in December.

The RBA has cut the rate by a massive 400 basis points since September last year in attempts to protect the economy from sinking into recession.

Earlier, the federal government said it expected economic growth to be just 1.0 per cent in 2008-09, slowing to a mere 0.75 per cent in 2009/10.

The is a marked downgrade from the respective forecasts of 2.0 per cent and 2.25 per cent made in November.

RBA governor Glenn Stevens said the combination of last year's financial turmoil, a severe global downturn and substantial falls in commodity prices had led to a significant dampening effect in confidence in Australia.

"In these circumstances, the board judged that a further sizable reduction in the cash rate was appropriate, to give further support to demand," Mr Stevens said in a statement.

He said in making its decision, the board took into account the government's additional \$42 billion stimulus package announced earlier on Tuesday.

"The combination of expansionary monetary and fiscal policies now in place will help to cushion the Australian economy from the contractionary forces coming from abroad," he said.

The RBA will release its quarterly monetary policy statement on Friday.

This story was found at: <http://news.smh.com.au/breaking-news-business/rba-cuts-cash-rate-by-100-basis-points-20090203-7wf8.html>

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