

Reserve Bank leaves interest rates unchanged

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INTEREST rates have been left unchanged after the Reserve Bank of Australia decided the official cash rate should not be lowered any further.

At its monthly meeting, the Reserve Board decided to keep rates unchanged at three percent.

A statement from reserve governor Glenn Stevens said evidence had "continued to emerge that the global economy is stabilising, after a sharp contraction during the December and March quarters".

"The considerable economic policy stimulus in train in most countries is helping to contain the downturn, and should support an eventual recovery," the statement said.

It said the turnaround was clearest in China and some other emerging countries, but warned recovery "in the major countries" was likely to take longer to commence and when it did occur, it would be slow.

The statement also said prospects were being helped by better conditions in global financial markets but confidence - while improving - remained fragile and balance sheets were still under pressure.

The statement said it expected inflation would continue to abate over the next two years, but a an improvement in housing credit demand suggested stronger dwelling activity was likely later in 2009.

"Nonetheless, the prospect of inflation declining over the medium term suggests that scope remains for some further easing of monetary policy, if needed", the statement said.

It said the board would continue to monitor how things unfold, and how they impinge on prospects for a sustainable recovery in economic activity.

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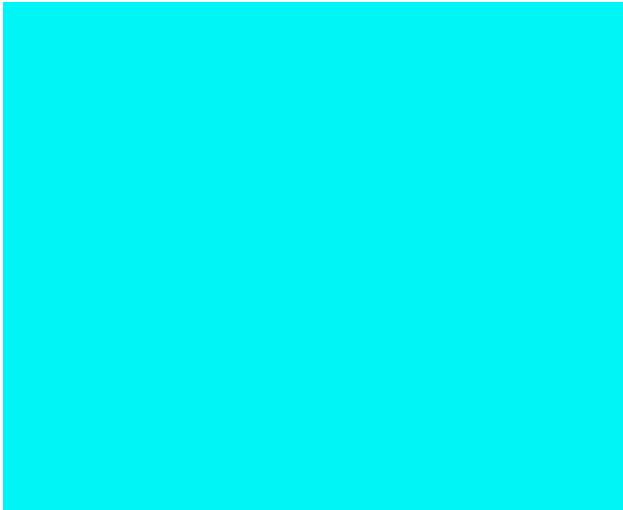
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