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MEDIA RELEASE

Benign Inflation Leaves Room for Further Rate Cuts

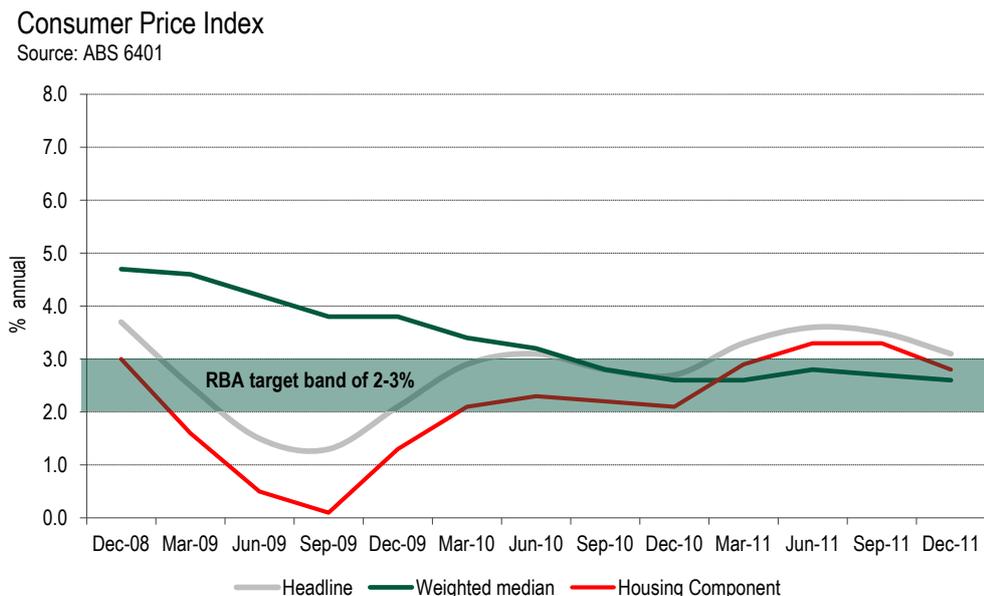
The consumer price index for the December 2011 quarter confirms that the path is clear for a February interest rate cut, says the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"The December quarter headline inflation result shows that prices were flat over the past three months, while the more closely-watched weighted median came in at 0.5 per cent, leaving annual underlying inflation at 2.6 per cent. This is well within the Reserve Bank's inflation target band and leaves the RBA with plenty of space to cut the official cash rate at the next meeting on the 7th of February," said HIA Senior Economist, Andrew Harvey.

"In light of continuing global uncertainty and some fragility in the non-mining sectors of our own economy, there should be no question as to a rate cut in February. It's the only prudent course of action, as is the banks passing on any rate cut in full," noted Mr Harvey.

"It is appropriate that further interest rate cuts starting next month are accompanied by targeted Government stimulus measures to help insulate Australia against what appears to be a deteriorating situation in Europe," Andrew Harvey added.

The headline Consumer Price Index was flat in the December 2011 quarter, dropping the annual headline inflation rate to 3.1 per cent. Looking at measures of underlying inflation, the 'trimmed mean' measure increased by 0.6 per cent in the December 2011 quarter, taking the annual rate to 2.6 per cent, while the "weighted median" measure came in at 0.5 per cent for the quarter, taking the annual rate to 2.6 per cent.



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