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MEDIA RELEASE

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Rate Cut Sends Right Message, Says HIA

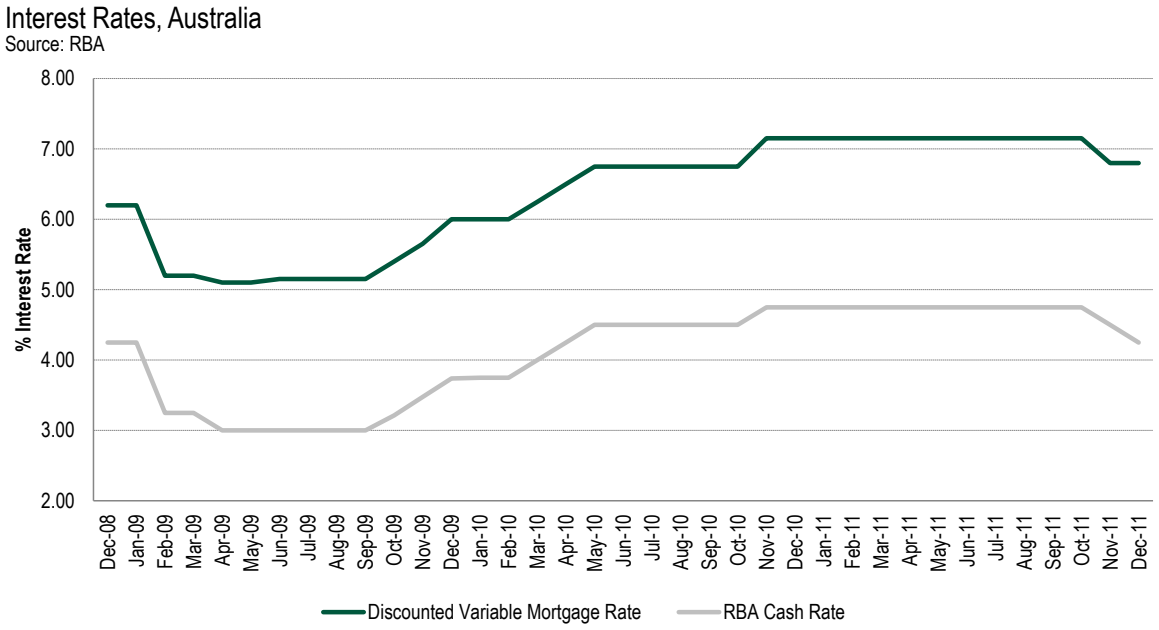
The decision by the Reserve Bank Board to cut interest rates by 25 basis points to 4.25% sends a positive message to households and businesses says the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"Global uncertainty remains rife and the implications for the Australian economy unclear, so a further interest rate cut today was justified," said HIA Chief Economist, Dr Harley Dale.

"Hopefully the situation in Europe doesn't deteriorate markedly from here. If it does the RBA has today taken out some further, appropriate insurance which doesn't dilute its ability to engage in more aggressive action in early 2012 should that unfortunate outcome prove unavoidable," Harley Dale said.

"New housing activity is staring down the barrel of re-hitting GFC lows. Today's interest rate cut provides a welcome sign that the RBA is on the case, although a 50 basis point cut would not have been out of line," noted Harley Dale.

"It is incumbent on Australia's banks to now pass the rate cut on in full rather than unnecessarily denting confidence and the efficacy of today's RBA action by refusing to do so," added Harley Dale.



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