

20120126 RBNZ: OCR unchanged at 2.5 percent

Source: Reserve Bank of New Zealand

The Reserve Bank today left the Official Cash Rate (OCR) unchanged at 2.5 percent.

Reserve Bank Governor Alan Bollard said: "Since the time of the December Statement, financial market sentiment has improved slightly, with increased liquidity in European financial markets. However, the global economy remains fragile and risks to the outlook remain.

"World prices for New Zealand's export commodities have remained elevated but the recent appreciation of the New Zealand dollar is reducing exporters' returns. The European debt crisis has also increased the cost of international funding, which will likely pressure funding costs for New Zealand banks over the coming year.

"In the domestic economy we continue to see modest growth. Over recent months there have been signs of a limited recovery in household spending and the housing market. Further ahead, repairs and reconstruction in Canterbury will also provide a significant boost for an extended period, though there may be further delays resulting from the aftershocks.

"Reassuringly, inflation pressures have remained well contained. Inflation has declined and now sits below 2 percent.

"Given ongoing uncertainty around global conditions and the moderate pace of domestic demand, it remains prudent to keep the OCR on hold at 2.5 percent."

NovaRes Team