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## Reserve Bank in biggest interest rate cut since 1992

Scott Murdoch | October 07, 2008

**THE Reserve Bank cut interest rates by 100 basis points today, in a bid to shield the Australian economy from the global wreckage.**

The bigger-than-expected reduction in official rates to 6.00 per cent was the largest cut in rates by the **Reserve Bank** since May 1992.

The stock market, which had been battered earlier by a rout on northern hemisphere bourses overnight, rallied into positive territory after the shock move.

Reserve Bank governor Glenn Stevens said conditions in international financial markets took a “significant turn for the worse” last month.

“Economic activity in the major countries is also weakening, and evidence is accumulating of a significant moderation in growth in Australia’s trading partners in Asia,” Mr Stevens said in a statement.

He said the Reserve Bank’s board judged that there had been a “material change to the balance of risks surrounding the outlook” that required a “significantly less” restrictive position on monetary policy.

“The board also took careful note of movements in funding costs in wholesale markets,” Mr Stevens said.

“Having weighed these considerations, the board decided that, on this occasion, an unusually large movement in the cash rate was appropriate in order to bring about a significant reduction in costs to borrowers.”

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