

## **Bollard May Cut New Zealand Rate to 6.5% by December, ANZ Says**

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New Zealand's central bank may cut interest rates by half a percentage point in October and repeat the dose in December to restore confidence and ensure financial stability, according to ANZ National Bank Ltd.

“It's a question of investor confidence,” ANZ National Chief Economist Cameron Bagrie said in an interview. “Things have changed and the downside risks are now becoming a reality.”

Reserve Bank Governor Alan Bollard cut the official cash rate by a half point to 7.5 percent last week, more than most economists expected. He said the outlook for the global economy has deteriorated and he urged banks to pass on lower borrowing costs to consumers and businesses.

Bollard “wants to get rates down aggressively,” said Bagrie. “Given what has happened overseas, financial stability is the prime focus and inflation is a secondary issue.”

Credit conditions have tightened after Lehman Brothers Holdings Inc. went into bankruptcy and American International Group Inc. seeks new capital to stave off a collapse.

Bollard could act on rates earlier than his next scheduled review on Oct. 23, Bagrie said.

“At this juncture, I wouldn't rule anything out.”

Including Bagrie, five of 13 economists surveyed by Bloomberg News expect a half point cut to 7 percent next month. Eight analysts forecast a quarter-point cut.

**Source: Bloomberg**