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MEDIA STATEMENT

IMMEDIATE RELEASE

BUSA COMMENTS ON INTEREST RATE POLICY

As BUSA believes that present economic circumstances require the continuance of an accommodative monetary policy, BUSA agrees that interest rates should be left unchanged at this stage. May's weaker than expected retail sales indicate that underlying consumer demand appears to be losing momentum. This, coupled with the latest weaker production figures, still suggests a hesitant economic recovery - as also endorsed by the Reserve Bank analysis today.

Taken together with uncertainties around the global economic outlook, BUSA concurs with the Reserve Bank that, despite rising cost inflation, a 'wait-and-see' policy is appropriate until there is stronger evidence of more generalized inflation. Overall the balance of risks remains delicate. The negative role of administered prices in the inflation outlook needs to be emphasized again. Taken as a whole, BUSA expects a growth rate of about 3½% in 2011.

ENDS

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