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| **Press release** **FOR EMBARGOED RELEASE ON APRIL 4, 2015** | Michelle Hutchison Head of PR & Money Expert  finder.com.au  +61403 192 994  +61 2 9299 7602  Michelle@finder.com.au |

**Reserve Bank likely to cut cash rate by June**

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| * [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) predicts cash rate to drop by June * 76% of experts expect cash rate to remain on hold on Tuesday * Experts say it's up to consumers to learn about interest rates |

**EMBARGOED FOR APRIL 4, 2015, SYDNEY, AUSTRALIA** – One of Australia’s biggest comparison websites [finder.com.au](http://www.finder.com.au/)[[1]](#footnote-1) is expecting another official cash rate cut by June, and is urging more Australians to learn how interest rate movements will affect them.

The [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) of 42 leading experts and economists, which is the biggest survey of its kind in Australia, found just 10 (24 percent) are expecting a cash rate cut on Tuesday April 7, 2015. The remaining 32 (76 percent) are expecting the cash rate to remain at 2.25 percent.

However, the majority (31) are expecting the cash rate to fall by June 2015, with another nine experts forecasting a cut between July and September this year. Just two experts (John Caelli, ME Bank and Noel Whittaker, QUT Business School) are expecting the cash rate to fall in April and again this year.

Out of the four big banks, they are split on their cash rate forecasts for Tuesday, with two of the four expecting a cut (Warren Hogan, ANZ and Bill Evans, Westpac) and the remaining two expecting no change (Michael Blythe, Commonwealth Bank and Alan Oster, National Australia Bank).

Michelle Hutchison, Money Expert at [finder.com.au](http://www.finder.com.au/), said many Australians may not realise what interest rate movements mean to their financial situation.

“It looks like we can expect another cash rate cut, whether it’s on Tuesday or in the coming months. But do Australians really know how interest rate movements affect them financially?

“The [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) found that about half (19) of the experts believed consumers don't understand the importance of interest rate movements well enough.

“Interestingly, out of those who responded to this question, the majority (27) said consumers need to be responsible for understanding interest rates while 12 experts felt that financial institutions were more responsible.

“Ultimately it is up to consumers to learn about financial products and how interest rate movements will impact them. Australians can’t rely on their bank to tell them what interest rate they should be charged for loans and what rate they could earn for their deposits so they need to keep track of their rates and compare their financial products, particularly when rates are forecast to fall.”

**What our experts had to say in the** [**finder.com.au**](http://finder.com.au/) **Monthly Reserve Bank Survey:**

* **Melissa Browne, A+TA:** “With a rate cut last month I believe the Reserve Bank will hold for another month while they wait to see the effect of the current unexpected cut.”
* **Garry Shilson-Josling, AAP:** “The Reserve Bank could cut in April, but May seems more likely. The RBA prefers to link its moves to the Consumer Price Index figures and the next set of those are due in late April, ahead of the Reserve Bank board's May monetary policy meeting. But there's no certainty … It would be a shame if negative political commentary about public sector debt caused governments to miss this golden opportunity to borrow at near-zero real interest rates to fund much-needed, productivity-enhancing infrastructure. Such public sector spending would help bridge the shortfall in total demand which has caused unemployment to trend higher for over two and half years now.”
* **Shane Oliver, AMP:** “The next move in rates is likely to be down as growth remains subpar, the investment outlook is poor, confidence is subdued and the Australian Dollar is too high … The Reserve Bank may decide yet again not too rush and wait for May though...”
* **Warren Hogan, ANZ:** “The Reserve Bank has signalled they're likely to ease policy further. We still haven't seen any evidence of a sustained pick-up in non-mining business investment and the Australian dollar has been a bit high in previous weeks.”
* **Peter Munckton, Bank of Queensland:** “It is highly likely that the Reserve Bank will cut again, it comes down to tactics as to which month.”
* **Steven Pambris, Bank of Sydney:** “The economy is soft however risk of further fueling property prices must be monitored, and the impact of last reduction played out.”
* **David Bassanese, BetaShares:** “One reason the Reserve Bank may pause next week is the ongoing strength of Sydney property prices: Clearance rates are high, house prices still going very strongly and they’re obviously concerned about that.”
* **Richard Robinson, BIS Shrapnel:** “The Reserve Bank will wait until May or June to cut rates, in order to boost confidence following the budget. They may also want to time cut to get maximum downward pressure on the Australian Dollar.”
* **Chris Caton, BT Group:** “There's another cut out there, but May makes more sense ... As it’s post-Consumer Price Index and pre-Statement on Monetary Policy.”
* **Michael Blythe, Commonwealth Bank:** “We're still assessing impact of the February cut and the Australian dollar direction.”
* **Savanth Sebastian, Commsec:** “Rate cuts have lost their lustre - confidence levels haven't spiked since the February cut. House price growth is also a concern in Sydney.”
* **Andrew Wilson, Domain Group**: “It’s a close decision but there’s slightly better recent news on economy."
* **Scott Morgan, Greater Building Society:** “I think the Reserve Bank will consider cutting but hold as it monitors the impacts of the last cut. Given the weakness in the economy, resilient dollar and international central bank's moves, a cut is now likely, probably in May. Financial institutions and Governments have a role to play in helping consumers better understand interest rates and to be financially literate. At the Greater we strive to help customers to better manage their money. But I always think its up to us as individuals to be more responsible, and not leave it to others, as we are the ones directly affected.”
* **Mark Brimble: Griffith University: “**Bias remains towards a rate decrease, however the Reserve Bank will be nervous about further fueling the property market and an exodus of capital leading to a sharper currency depreciation. With confidence, employment, capital expenditure and inflation weak, a rate cut is likely to provide further support for the economy, but the Reserve Bank is likely to hold off this month. This month I feel is pretty much 50/50. With all the indicators the way they are, a rate cut almost has to occur in the next three months to provide further support to the economy.”
* **Paul Williams, Heritage Bank:** “There's an ongoing weakness in Australia's economic outlook.”
* **Shane Garrett, Housing Industry Association: “**The Reserve Bank has indicated that time is needed for February's rate reduction to be absorbed, and will judge that the need for further rate cuts is not urgent.”
* **Michael Witts, ING Direct:** “Fundamentally nothing has changed since the last meeting, although the Reserve Bank minutes indicated a capacity for further rate cuts if required they did not suggest a propensity to cut rates ahead of May.”
* **Paul Clitheroe, IPAC:** “It’s aboutbalancing risk. Is it the frying pan or the fire? The lower dollar is helping our economy already, but rising unemployment is a concern. Big city housing boom also a concern. The Reserve Bank will look at risks of dropping rates or raising them. Financial literacy is critical for any government to imminent sensible policy”
* **Grant Harrod, LJ Hooker:** “The Reserve Bank is continuing to assess the influence that the February rate cut is having on the economy. Employment has stabilised a little. The main factor holding back the Reserve Bank from cutting further is the east coast housing markets, which continue to perform strongly, especially Sydney.
* **James McIntyre, Macquarie Group:** “The Reserve Bank Board will have no new, substantive information on the economy compared to their March meeting, where the decision was taken to remain on hold. Concerns about financial stability are likely to keep the Reserve Bank sidelined… However, if the currency remains elevated, or pushes beyond US$0.78, we think there is a substantive risk the Reserve Bank cuts in May.”
* **Stephen Koukoulas, Market Economics:** “The Reserve Bank has a stubborn attitude when it comes to house prices and it seems to be down-playing the risks coming from weak domestic growth and high unemployment. It should cut rates, but might hold off this month.”
* **John Caelli, ME Bank:** “Below trend growth, relatively high unemployment and a desire to see the dollar lower mean that there is scope for the Reserve Bank to cut again. We expect that the Reserve Bank will cut in April.”
* **Mark Crosby, Melbourne Business School:** “With rates already at historic lows further cuts are likely to have a minimal impact, and with housing prices frothy and stimulus coming from weakness in the exchange rate now is not the time to cut. Having cut already earlier this year it is unlikely that the Reserve Bank will sit on their hands through 2015. However after one more cut we can hope that the economy strengthens and rates start to move towards a more neutral setting through 2016.”
* **Katrina Ell, Moody’s Analytics:** “The Reserve Bank is probably waiting for Q1 Consumer Price Index data released in May before it cuts rates again. We expect another 50 basis points worth of rate cuts in 2015.”
* **Lisa Montgomery, Mortgage & Consumer Finance Expert:** N/A
* **Ken Sayer, Mortgage House:** “There are no major changes to speak about”
* **Jessica Darnbrough, Mortgage Choice:** “While new data shows business and consumer sentiment dropped over the last month, providing the Reserve Bank with a reasonable reason to cut the cash rate again, we believe the Board will leave rates on hold for another month as they wait to see what impact the February rate cut has. Moving forward, we expect the Reserve Bank to retain their easing bias with the possibility of a further rate cut in May.”
* **Chris Shade, MyState Limited:** “The Bank clearly has an easing bias. That said, it will be hesitant to use its remaining fire power too quickly - particularly when it has expressed some concern around strong asset markets - in particular Sydney housing. May seems to make more sense…”
* **Alan Oster, NAB:** “The Reserve Bank is taking more time to see what the February cuts have achieved, but they may still cut at the April meeting.”
* **Peter Boehm, onthehouse.com.au:** “Falling business confidence and poor growth in non-mining sectors will likely see rates cut a further 0.25% – probably not until May.”
* **Linda Janice Phillips, Propell:** “It's line ball, they will cut in May if not April, but they tend to err on the cautious side and will wait on more data. If they do cut in April, it will probably be with a view to getting the cut out of the way before the May federal budget so as to remove a variable from the budget decisions. We really need a cash rate considerably lower, perhaps 1.5% or less, with the risk of recession significant enough to warrant early intervention. The US$ exchange rate needs to be well below US$0.70 to have an impact on the TWI and on economic growth. A short and sizeable reduction in the cash rate would get us there sooner, but the Reserve Bank seems to hope that, if it waits long enough, a sizeable move won't be needed. The big worry always seems to be the Sydney housing market (the rest have no price rises of note) but the price rises are driven as much by demand, as inbound population exceeds new dwelling supply by a considerable margin, and the biggest price rises are in the outer suburbs like the west and RIchmond. On balance, it would be better to get the economy growing again, than to curtail Sydney house prices, which in any case can be managed in part with macroprudential controls.”
* **Jonathan Chancellor, Property Observer:** “NSW's economy has bounced back, but can ill-afford the lunacy of a property bust. The Reserve Bank has to pause again as it can't further ignite the Sydney price inferno by another rate cut.”
* **Matthew Peter, QIC:** “The Reserve Bank can wait for Q1 CPI release and buy time to see if property market settles.”
* **Noel Whittaker, QUT Business School:** “The cash rate will fall] to stop our dollar from rising.”
* **Angus Raine, Raine & Horne**: “Recent unemployment figures and the general state of the economy will see the RBA Board sit on their hands this month. The Reserve Bank Governor seems to be focussing on the state of the Sydney property market, yet the property boom has not even reached the Blue Mountains. Instead, we need to be encouraging more people to invest in regional property markets such as Wagga Wagga.”
* **Nathan McMullen, RAMS:** “Growth continues at below trend pace, with domestic demand growth weak. The economy is likely to be operating with spare capacity for some time yet given unemployment has moved higher. A lower exchange rate is likely to be needed to achieve balanced growth whilst inflation remains within tolerance.”
* **David Scutt, Scutt Partners:** “It still remains a matter of when, not if, the Reserve Bank will ease policy further. Outside of established residential and commercial property, primarily on the east coast, the domestic economy requires further stimulus. It'll be a line-ball decision as to whether or not they ease but history, along with recent auction clearance rates in Sydney, may see them hold off until May. Either way I expect a cut in one of the next two meetings along with a continuation of their easing bias.”
* **Janu Chan, St. George Bank:** “The Reserve Bank currently holds an easing bias, but looks to be waiting to assess developments. Data and events over the past month do not appear to be enough to sway the Reserve Bank to cutting next week.”
* **Peter Switzer, Switzer Financial Planning:** “The economy is slower than the Reserve Bank expected. Business and consumer confidence is very low, so waiting until May would be hard to justify. People watch My Kitchen Rules instead of the Switzer program. They're miss allocating their time. When it comes to money, people don't plan to fail they fail to plan.”
* **Scott Haslem, UBS**: “While you couldn't rule out an April cut, we believe the Reserve Bank will wait to see late-April's Q1 Consumer Price Index print, which should be low enough for them”
* **Nicki Hutley, Urbis:** “The Reserve Bank is concerned that the strength in the Aussie dollar is impeding economic activity and new business investment, and that a further rate cut is therefore warranted.”
* **Bill Evans, Westpac:** “We have consistently argued that the case has already been made for a second rate cut to follow the February move … Our count is that “for the time being “ has only been used in eight statements since January 2009 and on six of those occasions the Bank moved rates at the next meeting while it moved at the following meeting on the other two occasions. On that basis a strong case can be made for an April move.”

**Please note:** the above respondents are ordered alphabetically by name of organisation.

**Disclaimer:** the comments, forecasts, projections and other predictive statements by the panel of experts are assumptions based on currently available information. These forecasts are based on industry trends and economic factors that involve risks, variables and uncertainties. No guarantee is presented or implied as to the accuracy of these forecasts and consumers are advised to read product disclosure statements and understand if financial products are right for them before signing up.

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1. Experian Hitwise 2014, 2015 [↑](#footnote-ref-1)