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

**Cash rate cut on the cards, but experts divided on when: Reserve Bank Survey**

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| * 18 of 34 experts betting on cash rate to hold on Tuesday: [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) * Majority expect cash rate to fall this year * First home buyers likely to struggle with property prices expected to rise further |

**EMBARGOED FOR MAY 2, 2015, SYDNEY, AUSTRALIA** – Changing economic conditions have left experts torn on whether the Reserve Bank will lower the cash rate on Tuesday May 5, 2015, according to Australia's biggest Reserve Bank Survey by [finder.com.au](http://finder.com.au/).

Just over half (18) of the 34 leading economists and experts in the [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) are expecting the cash rate to hold on Tuesday including from National Australia Bank, while 16 experts are expecting the cash rate to fall, including from Commonwealth Bank and Westpac.

The majority of experts (21) are forecasting at least one cash rate cut by the end of the year, with most expecting the cut to occur between July and September. Six of these experts are expecting the cash rate to fall next week as well as another cut this year including:

* Shane Oliver, AMP Capital
* David Bassanese, BetaShares
* Shane Garrett, Housing Industry Association
* Katrina Ell, Moody’s Analytics
* Peter Boehm, On The House
* Noel Whittaker, QUT Business School

Michelle Hutchison, Money Expert at [finder.com.au](http://finder.com.au/), said that changing conditions have caused uncertainty of when the cash rate will next move.

“While the majority of experts in the Survey still expect a rate cut to happen this year, they’re divided as to when this will occur.

“Of those who expect the cash rate to hold next week, many have pointed to improved employment figures and the need to wait until the federal budget is released on May 12 before another rate cut. For those experts who are forecasting a cut next week, the high Australian dollar, modest economic growth and lower Consumer Price Index figures were recurring reasons to provide more stimulus.

“Several experts were concerned about the impact of another rate cut on the property market, as property prices are expected to rise as a result. This means it’s going to be even tougher for first home buyers, who are at record lows.”

According to the Survey, 82 percent of the experts (28) are expecting property prices may continue rising this year including experts from Commonwealth Bank and National Australia Bank, while another four experts are forecasting prices will stabilise.

Almost one in three experts (30 percent) are expecting fewer first home buyers to enter the market this year compared to 2014, while 45 percent are expecting the same level as last year.

“If fewer first home buyers enter the market this year, it could be the lowest number of first home buyers ever recorded.

“Australian Bureau of Statistics (ABS) data analysed by [finder.com.au](http://finder.com.au/) shows February 2015 saw the lowest proportion of first home buyers in the past decade; less than 14 percent of all home loans financed for the month were first home buyers.

“Last year there were a total of 93,974 first home buyer home loans financed. In the past 23 years of this data being recorded, there were only five years where first home buyer numbers were lower than this.

“The average home loan size for first home buyers has increased by $121,000 or 58 percent in the past decade, to $331,000. It’s clear that borrowers need to spend more money to afford to buy their first home. But it’s important for prospective borrowers to be careful with their budget as the majority (23) of experts from the Survey are expecting the cash rate to start rising next year, by as early as February.”

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

* **Melissa Browne, A+TA: “**I don't believe we'll see any further moves in interest rates until after the budget. Property prices are still strong which may also give the Reserve Bank reason to hold.”
* **Garry Shilson-Josling, AAP:** “The run of strong employment figures should encourage the RBA to sit back wait a while, but there are plausible arguments in favour of a cut as well, like weakening iron ore prices, the Aussie dollar's stubborn strength, and stagnating non-mining business investment. The futures market prices a cut at only a fraction more likely than 50 per cent, which looks about right...There appears to be a lot of scepticism over the strength in employment growth evident in recent figures, but if the labour market really is strengthening, cutting rates in May could turn out to be a mistake.
* **Shane Oliver, AMP:** “Growth is sub par, the business investment outlook is weak, the Australian dollar is still too high and inflation is benign. But its a very close call… My view of a rate cut in May is a close call. If no move in May then expect another cut in the months ahead.”
* **Peter Munckton, Bank of Queensland:** “It’s a close call, but probability of modest domestic growth and overly high Australian dollar suggests another rate cut would be welcome.”
* **Steven Pambris, Bank of Sydney:** “ We will need to wait to see what will be implemented in the Fiscal Policy (May Budget).”
* **David Bassanese, BetaShares:** “Iron ore prices are weak and the Australian Dollar is still firm.”
* **Richard Robinson, BIS Shrapnel:** “There’s still too much strength in housing prices. Unlikely a rate cut would push down the Australian dollar on a sustainable basis. The latter needs an extra circuit-breaker to help engineer an enduring ratchet-down of the exchange rate.”
* **Chris Caton, BT Group:** “There was clearly another cut planned when they cut in February and not enough has happened to change that plan. That said, there has to be a real risk that they hold.”
* **Michael Blythe, Commonwealth Bank:** “The economy is in need of some further policy stimulus as key commodity prices fall and non-mining capex fails to lift.”
* **Savanth Sebastian, Commsec:** “The economic recovery is gaining traction, however activity levels remain patchy across the nation. Non-mining business investment remains a drag on growth.”
* **Andrew Wilson, Domain Group**: “Better jobless numbers have been released.”
* **Scott Morgan, Greater Building Society:** “The Reserve Bank will rightfully be looking long term but I think the recent economic data (inflation and unemployment) will allow them to hold off pulling the monetary lever this month. The Reserve Bank is rightfully encouraging our leaders to look at other policy instruments too.”
* **Mark Brimble: Griffith University:** “The Reserve Bank is caught between a property price bubble and associated lending rate concerns and a weaker than desired level of economic activity (below target inflation and weakening unemployment) and confidence (both consumer and industry). Cap ex continues to be below par, yet the US and USD continue to hold their ground with signs of improvement in the medium term. Thus, a rate cut is likely in the next 6 months, but the Reserve Bank, on balance, may wait at least one more month to get more data and see if the already historically low rates and weaker currency begin to support the economy.”
* **Paul Williams, Heritage Bank:** “The Reserve Bank retains a bias to ease, but appears conscious they have limited monetary policy 'ammunition' left, therefore they are being extremely cautious”
* **Shane Garrett, Housing Industry Association:** “With Gross Domestic Product growth below trend, unemployment on the high side and few inflationary pressures, the Reserve Bank will opt to cut the Official Cash Rate in May.”
* **Paul Bloxham, HSBC:** “Inflation is low and growth is running below trend.”
* **Michael Witts, ING Direct:** “Increasingly recent data has been indicating that the economy is perhaps in a better state than previously anticipated. This, together with the near term release of the Budget, some recovery in commodity prices especially iron ore and the significant cut in reserve requirements all point to the Reserve Bank continuing with their “wait and see” approach. In contrast, the increase in the Australian dollar over the past few weeks, supports the case for a rate cut. On balance no change, but again a close decision.”
* **Grant Harrod, LJ Hooker:** “Since the February rate cut, unemployment has come back to 6.1% and the underlying inflation is still in the Reserve Bank’s target range of 2.3%. Commodity prices have also begun to recover in the last few weeks, although how sustained a recovery this is is yet to be seen. With the East Coast housing market still a concern for the bank, we expect the latest data to allow the bank to hold rates but retain an easing bias”
* **John Caelli, ME Bank:** “The Reserve Bank maintains an easing bias, so it is likely that they will cut in the coming months, only the timing remains uncertain. There are plenty of reasons for the Reserve Bank to cut in May, including low inflation, reasonably high unemployment and below trend economic growth. The main concern remains property prices in Sydney and Melbourne.
* **Mark Crosby, Melbourne Business School:** “Inflation outcomes might lead the Reserve Bank to consider cutting, but with fuel prices rising and the economy stable, holding seems a better course especially with asset prices still bubbling… While the majority of risks are on the negative side and point to further rate cuts this year, if growth continues in the US, and Chinese growth is stable at current levels, it is also possible that the Reserve Bank raises rates later this year back towards a more neutral level.”
* **Paul Clitheroe, Money Magazine: “**It’s a curate’s egg. The economy is not all bad… Global volatility makes predicting a dangerous sport.”
* **Lisa Montgomery, Mortgage & Consumer Finance Expert:** “Its likely the Reserve Bank will continue to hold interest rates at the May meeting. As they continue to balance the 'economy' with exuberant property prices in Sydney and Melbourne, they will be sensitive not to fuel the fire with another cut until absolutely necessary.
* **Jessica Darnbrough, Mortgage Choice:** “With inflation sitting a little higher than expected and the unemployment rate falling slightly, the need for an immediate rate cut has lessened.”
* **Alan Oster, NAB:** “Australian data a touch better so they have time to watch for a few months”
* **Peter Boehm, onthehouse.com.au:** “Consumer and business confidence still low - putting more cash in the hands of households through lower mortgage payments can help increase consumer spending and thereby increase business confidence. The Reserve Bank does not appear to be too concerned about fuelling house price growth through cheaper home loan finance at present but this is something it will have to monitor.
* **Linda Janice Phillips, Propell:** “Again, it's line ball, and the markets are calling a cut on the basis of slow growth and low CPI. However, the Governor signalled frustration at diminishing returns from cuts in his US speech, which I feel should be read as: he will wait a few months and see what happens. It was a clear hint that he is looking to the federal government in its May budget, to do something positive to stimulate the economy, so if there is no May cut, attention will be focused on the budget anyway. There is good reason to wait till June or July to make a decision and see what further news comes out. Of course, a traumatic world event, such as a Greek default, could change the parameters immediately. Barring that, I see plenty of reasons for the Reserve Bank to be patient… Australia really needs a lower exchange rate, and the Reserve Bank has another 11 potential cuts up its' sleeve. However, the high pace of price rises in Sydney is enough to stay the Governors' hand. If the Reserve Bank waits a few months, Sydney price rises may ease, which would then be the signal for the next rate cut in my view.”
* **Jonathan Chancellor, Property Observer:** “It is a finely balanced call as Australia transitions further from mining boom to new economy.”
* **Matthew Peter, QIC:** “The Reserve Bank has now had time to assess the impact of easier financial conditions associated with lower interest rates and exchange rate. The risk of a housing market bubble is abating and exchange rate pass through is not threatening the inflation outlook. Growth remains below trend and the exchange rate remains stubbornly high. A cut in May will bolster consumer confidence.”
* **Noel Whittaker, QUT Business School:** “The Australian dollar is too high”
* **Janu Chan, St. George Bank:** “There are concerns about growth outlook, particularly for business investment.”
* **Peter Switzer, Switzer Group:** “A rate cut is what they should do but I would not be surprised if they hold. There is a too cautious approach at the Reserve Bank which is holding back growth”
* **Nicki Hutley, Urbis:** “While the Reserve Bank appears to consider the case for further easing remains, they are likely to hold off ahead of the Federal Budget on 12 May before moving again.”
* **Bill Evans, Westpac: N/A**

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

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