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| **Press release****For immediate release****July 7, 2015** | Michelle HutchisonHead of PR & Money Expertfinder.com.au+61403 192 994+61 2 9299 7602Michelle@finder.com.au |

**Reserve Bank holds cash rate but rate drop on the cards**

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| * All 33 experts in [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) were correct with prediction of cash rate hold
* 38% chance of rate cut by end of the year, but don’t expect lenders to pass on full cut
* Borrowers should be more concerned with rising interest rates forecast for next year
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**JULY 7, 2015, SYDNEY, AUSTRALIA –** The Reserve Bank of Australia’s decision to keep the cash rate unchanged at its board meeting today (July 7, 2015) came as no surprise, according to one of Australia’s biggest comparison websites [finder.com.au](http://finder.com.au/)[[1]](#footnote-0).

The [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate), which is the biggest survey of its kind in Australia, found all 33 leading experts and economists unanimously expected the cash rate to hold today.

Almost two in five (38 percent) of the experts surveyed believe the Reserve Bank will cut the cash rate by the end of the year, with almost half of which forecasting this to be as soon as the next board meeting in August or September.

With an expected cut of 0.25 percentage points, this would cause the official cash rate to drop to a new record low of 1.75 percent.

However, lenders aren’t expected to pass on the full cut, as 66 of 111 lenders (60 percent) that dropped variable home loan rates following the last cash rate cut in May didn’t pass on the full cut, including three of the four major banks, according to [finder.com.au](http://finder.com.au/):

* Commonwealth Bank and National Australia Bank both dropped their standard variable rates by 0.20 percentage points
* Westpac dropped by 0.22 percentage points
* ANZ was the only bank of the big four that passed on the full 0.25 percentage points.

Michelle Hutchison, Money Expert at [finder.com.au](http://finder.com.au/), said borrowers shouldn’t be concerned with a rate cut and instead focus on being prepared for rising rates.

“While borrowers with a variable rate home loan shouldn’t hold their breath for lenders to pass on a full cash rate cut if the Reserve Bank drops the cash rate again, this is the least of their worries compared to expected rising interest rates.

“The [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) found the majority of experts (56 percent or 18 experts) are forecasting the cash rate will start rising in 2016, with two experts expecting the cash rate could increase this year. Another 13 experts believe the cash rate will rise after 2016. The average forecast for when the cash rate will rise is the last quarter of 2016.

“It’s clear that interest rates will be on the way up, so borrowers need to make sure they are prepared by reviewing their budgets and working out if they can afford higher costs. For instance, for every 0.25 percentage points increase to a $300,000 home loan, it will cost about $50 more in repayments per month.

“Borrowers with this size mortgage should factor in at least $400 extra in monthly repayments and if you can’t afford this extra cost now you will need to consider your options before rates start to rise such as refinance to a cheaper lender, fix your home loan or downsize.”

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

* **Melissa Browne, A+TA:** “I think the Reserve Bank is still maintaining a wait and see position after its most recent rate fall.”
* **Garry Shilson-Josling, AAP:** “The Reserve Bank prefers to move after Consumer Price Index data, which means August is more likely, though bad news on the jobs market could prompt a July cut. Recent signs in jobs advertisements data suggests a slowing demand for labour.”
* **Shane Oliver, AMP:** “Not enough has happened since the last meeting and the Reserve Bank would probably prefer to review its forecasts (which will happen at the August meeting) before easing again. I see a 50/50 probability of another cut given the outlook for sub trend growth.”
* **Peter Munckton, Bank of Queensland:** “The Reserve Bank will need to see more information before thinking about any further moves.”
* **Steven Pambris, Bank of Sydney:** “Whilst economy remains soft, economic impact and effectiveness of last rate reduction seems to be questionable. Any move at this point will be premature.”
* **David Bassanese, BetaShares:** “There are existing house price pressures, and the Reserve Bank has only cut recently. We believe they will wait to see extent of budget boost.”
* **Chris Caton, BT Group:** “The Bank can take some more time to assess the effects of what it has already done.”
* **Michael Blythe, Commonwealth Bank:** “The Reserve Bank is in "wait and see" mode while they assess incoming data, such as the next Consumer Price Index due at the end of July.”
* **Andrew Wilson, Domain Group**: “We've had better economic news this month - jobless down 2 months in a row and strong job creation. Auction clearance rates are falling in Sydney and Melbourne.”
* **Mark Brimble: Griffith University:** “The Reserve Bank is in between a rock and a hard place on this now with a weak economy and property prices starting to bubble in some areas. Ideally it need the currency to do the work for it, but this is remaining stubbornly strong. This continued uncertainty in Europe and Asia and expectations of a rate rise in the US later this calendar year, the Reserve Bank is likely to sit on its hands. Regarding house prices, the property market will continue to behave unevenly across the country. Some areas will continue to rise, while others will fall dramatically as employment (and thus demand) shifts.”
* **Paul Williams, Heritage Bank:** “The Reserve Bank is comfortable waiting for further triggers from economic data releases before determining its next move.”
* **Shane Garrett, Housing Industry Association:** “The Reserve Bank will continue to wait and see what the consequences of May's rate cut are.”
* **Paul Bloxham, HSBC:** “We’re still watching and waiting to see the impact of the 50 basis points of cuts delivered in the first half of this year.”
* **Michael Witts, ING Direct:** “Most recent economic data is broadly positive and the past rate cuts are working their way through the economy.”
* **Grant Harrod, LJ Hooker:** “The Reserve Bank is still weighing up the impact of this year’s two rate cuts. The Sydney and Melbourne housing markets continue to outperform, as evidenced by strong auction clearance rates. This, combined with data and the global economic environment, will guide the Reserve Bank over the remainder of the year.”
* **Peter Jones, Master Builders Australia**: “The Reserve Bank will watch the run of data for a time now.”
* **John Caelli, ME Bank:** “I would expect the Reserve Bank will continue to assess the performance of the economy and impact of recent rate cuts before considering a further rate cut.”
* **Mark Crosby, Melbourne Business School:** “If Greece defaults then the Reserve Bank may choose to cut as this is likely to unleash chaos. But even in this event they may choose to hold given the uncertainty that this is likely to create. Events in Europe are key to what happens for the rest of this year. The most likely outcome over the next few days is that the Europeans will continue to kick the can down the road, in which case the Federal Reserve and the Reserve Bank should be in position to raise rates to a more neutral level late in the fourth quarter of this year.”
* **Katrina Ell, Moody’s Analytics:** “The Reserve Bank is maintaining an easing bias but wants to see how earlier stimulus is lifting growth and waiting for the Australian dollar to lose further shine.”
* **Lisa Montgomery, Mortgage & Consumer Finance Expert:** “Although there is quite a bit of key data to be released week commencing June 29, it’s not likely that the Reserve Bank will make a material shift in the official cash rate at its July meeting. As it struggles to rebalance the economy and force the Australian Dollar lower it continues to face a challenge in relation to the Sydney property market. The ABS building approval statistics and the Corelogic home price index should make interesting food for thought for the board in the coming week.”
* **Ken Sayer, Mortgage House**: “There's more downward pressure than there is upward. The market has factored in all changes – I don't think the demise of Greece will have much impact as that's already been factored in. I don't think the downward pressure is strong enough – our economy isn't strong, but it isn't dismal. The demand for housing has gone through the roof but the government is taking a different approach by making it more difficult to borrow.”
* **Jessica Darnbrough, Mortgage Choice:** “Data from the Westpac–Melbourne Institute found consumer sentiment fell 6.9 percent in June from 102.4 to 95.3, marking the weakest recording since the beginning of the year. Despite this surprisingly weak result, other economic indicators suggest the economy is tracking relatively well. Research conducted by the Australian Bureau of Statistics found the unemployment rate fell to 6 percent, while data from National Australia Bank showed business confidence improved significantly in May - a fact the Reserve Bank would be happy about.”
* **Chris Schade, MyState Bank**: “The Reserve Bank will continue to take some time to see how the economy develops before making any further cash rate changes.”
* **Alan Oster, NAB:** “The Reserve Bank is taking time to see impact of past moves.”
* **Peter Boehm, onthehouse.com.au:** “I would be surprised if there was another rate cut just yet. More time is needed to digest the latest reduction and the Reserve Bank must now be considering the impact of further rate cuts on Sydney and Melbourne property prices. I would not be surprised if we are in a period of rate stability, at least for the next month or so. Rates will have to start increasing in the not too distant future.”
* **Linda Janice Phillips, Propell:** “We are expecting a further rate cut sometime in the next few months but the Reserve Bank Governor is showing frustration at the limited impact of existing rate cuts and is questioning the value of a further rate cut. Unless global events overtake domestic issues (e.g. a Grexit). We expect the Reserve Bank to hold fire in the hope that economic conditions improve. House price growth is mostly limited to Sydney and Melbourne, with Canberra showing a return to life. Elsewhere growth is in low single digits. The apartment market generally is seeing little growth in prices, except for exclusive projects or suburbs in Melbourne, and off-the-plan developments in Sydney.”
* **Jonathan Chancellor, Property Observer:** “It would be premature to move as the recent cash rate cuts and federal budget take effect. It is actually a good thing for first home buyers to sit out the Sydney market while it is red hot from competing investors.”
* **Matthew Peter, QIC:** “Positive employment figures combined with lack of further data means the Reserve Bank is in wait-and-see mode.”
* **Noel Whittaker, QUT Business School:** “The outcome of recent cuts is still unsure.”
* **Angus Raine, Raine & Horne:** “Employment figures look ok and local economic confidence is picking up. There seems to be no need for panic - even some of the bigger global issues such as the Greek financial crisis appear to be heading in the right direction.”
* **Janu Chan, St. George Bank:** “After cutting rates in February and May, the Reserve Bank is now waiting to assess developments. We and the Reserve Bank are expecting a pickup in growth closer to trend next year. The assessment of developments in coming months will hinge on this forecast. It is likely that a recovery in non-mining investment will be key to this outlook.”
* **Nicki Hutley, Urbis:** “Australian economic growth remains tepid, but further rate cuts are unlikely to spur investment and could potentially exacerbate asset market inflation (especially Sydney house prices). Policy makers face a very difficult task to get the Australian economy running faster. The Reserve Bank is playing its part, now Federal Government needs to do more to improve competition and productivity, and businesses need to adjust expectations re appropriate return on interest hurdle rates.”
* **Bill Evans, Westpac:** “Overall, the minutes confirm our assessment that evidence of weak consumer spending, a deteriorating outlook for business investment and a fall-back in consumer sentiment will have come as significant disappointments for the Bank. The key concluding paragraph from the Reserve Bank June cash rate minutes noted that “information on economic and financial conditions to be received over the period ahead will inform the Board's assessment of the outlook and hence whether the current stance of policy will most effectively foster sustainable growth and inflation consistent with the target.”

**Please note:** the above respondents are ordered alphabetically by name of organisation. Comments collected between June 22 and 26, 2015.

**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 since 2013 [↑](#footnote-ref-0)