

# RBA holds the cash rate again, but for how long?

The Reserve Bank of Australia (RBA) has today made the decision to leave the nation's official cash rate unchanged at 1.50%.

"RBA board members have made the decision to hold the cash rate once again, but there is mounting speculation that there may be as many as two rate cuts this calendar year," said Mortgage Choice franchise owner, Scott Partridge.

"Throughout 2018, the lending landscape was shaped by an increase in wholesale funding costs, which saw some lenders raise rates and lending standards tighten, resulting in a significant reduction of applicant borrowing power. It was also revealed by the ACCC that opaque mortgage pricing makes it difficult and time consuming for borrowers to shop around and stifles competition on price.

"In recent years we have seen the relationship between lenders' pricing on home loans and the official cash rate become less aligned.

"Where borrowers are concerned, it is no longer reasonable to assume that changes in the cash rate, or lack thereof, will drive home loan interest rates.

"At a Standing Committee on Economics in February, RBA Governor Lowe highlighted the importance of borrowers seeking a better deal on their home loan, drawing attention to the discounts on headline interest rates that lenders are willing to give borrowers.

"Interest rates are constantly changing and the rates you see advertised can be significantly higher than the rate you could secure. It would be a full-time job for borrowers to stay abreast of all these changes. Luckily, they don't have to.

"Your local mortgage broker knows the lending policies and preferences of a wide range of lenders and may be able to negotiate a competitive interest rate for you.

"In this increasingly complex environment, it's no surprise that more Australians are turning to their local home loan experts who can offer them choice and save them money and time. In the September 2018 quarter, broker market share surged, with 59.1% of loans originating through the broker channel, highlighting the value mortgage brokers bring to borrowers," said Mr Partridge.

"Throughout most of 2018, the RBA signalled that the next cash rate move would likely be up, however its tone seems to have shifted.

"Whether the cash rate changes or not, the reality is we are living in times of unprecedented change in the lending landscape. Borrowers should keep a home loan expert in their corner, who is prepared to fight for them to secure a competitive deal on their mortgage.

"If you are a borrower looking to switch from an interest-only loan to principal and interest, or coming to the end of a fixed-rate period, now is the right time to speak to your mortgage broker.

"My advice for anyone wanting to buy their first home is to establish a relationship with their local broker, who can help them navigate this complicated lending environment and get them in the right financial position to apply for a home loan," said Mr Partridge.

## The RBA's decision

A number of domestic and global economic factors would have played a role in the RBA's cash rate decision.

In the United States, the Federal Reserve made the decision to hold the Federal Funds Rate at 2.25-2.50% at its last monetary policy meeting. Factors such as a slowdown of the US economy and global political uncertainty may be encouraging a cautious approach from the Fed.

While at home, RBA board members are paying close attention to the nation's housing market activity and have lowered their outlook for dwelling investment. In the minutes of the RBA board's previous monetary policy meeting, members noted the fall in demand for home loans, particularly among property investors.

Mr Partridge said, "There is irrefutable evidence that the heat has come out of the Australian housing market, particularly in Sydney and Melbourne."

National dwelling values recorded a 0.7% decline in February according to the CoreLogic Hedonic Home Value Index.

Further, the RBA's most recent financial aggregates revealed that housing credit growth recorded its slowest rate of growth on record, and January 2019 data revealed the smallest monthly increase since July 1984.

Mr Partridge said, "The upside to falling property prices is that there are many deals to be had for those looking to buy a home."

According to CoreLogic, 75% of properties which sold at private treaty over January 2019 sold for less than the original list price. Further, in the nation's capital cities, the median vendor discount is at its highest level since 2009.

Other factors which would have played a part in today's monetary policy decision today include a lacklustre inflation rate. The latest data on inflation revealed a headline inflation rate of 1.8%.

The Australian Bureau of Statistics' Labour Force Survey, revealed the nation's unemployment rate was 5.0% in January. At the same time, the Wage Price Index revealed a moderate lift in the December 2018 quarter but is forecasted to remain sluggish.

Furthermore, the most recent National Australia Bank Monthly Business Survey revealed that business confidence remains below the long-run average, while business conditions recovered slightly in January after a sharp fall in December.

Additionally, the Westpac Melbourne Institute of Consumer Confidence revealed that consumer sentiment rose in February after disappointing results in January. The 'cautiously optimistic' consumer was attributed to weak views on family finances and Australia's deteriorating house prices.

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