

RBA tentatively holds cash rate

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

Mortgage Choice franchise owner Scott Partridge said, "A change to the cash rate, less than a fortnight out from the federal election would have been a remarkable decision from the Reserve Bank, even though financial markets have fully priced in a rate cut to occur in the short-term.

"Moreover, history shows us that the fiercely apolitical RBA does not move on the cash rate in the middle of an election campaign for fear of making monetary policy a political football," said Mr Partridge.

Mr Partridge said domestic economic factors such as inflation data play a key part in the Bank's decision. "The March quarter Consumer Price Index (CPI) revealed a disappointing underlying inflation rate and a flat headline read throughout the quarter. This weak inflation reading, below market expectations, has been the case for nine out of the last ten quarters and means inflation is unlikely to hit the RBA's target range of 2-3% by the end of 2019.

"In the minutes of the April Monetary Policy Meeting, the RBA highlighted the economic circumstances which would make a valid case for a rate cut such as flat inflation and unemployment trending up. Despite consistently lacklustre inflation, the unemployment rate remains at near historic lows," said Mr Partridge.

The most recent Labour Force data from the Australian Bureau of Statistics (ABS) revealed a seasonally adjusted unemployment rate of 5.0% in March, which is near historic low levels.

The CoreLogic Hedonic Home Value Index revealed that the rate of decline of national dwelling values continues to ease, recording a 0.5% fall in April. This was attributed to the easing of the market downturn in Sydney and Melbourne, however the index showed that dwelling value falls have become more geographically widespread across the country.

Mr Partridge said, "A weaker housing market is good news for those looking to buy their first property. This, coupled with the fact that home loan interest rates are hovering at historic lows, presents great buying opportunities for those looking to realise their property ownership goals this year."

Mr Partridge urged those looking to secure a loan to closely monitor their living expenses and create sound financial habits from today to increase the chances of having their home loan application being viewed favourably.

"Borrowers who wish to secure their first home loan, or may be looking to refinance their existing loan, should speak to their local mortgage broker to ensure they are in the right financial position to submit a successful loan application," concluded Mr Partridge.

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Contacts

Lisa Stromborg

0403291996

mailto: lisa.stromborg@mortgagechoice.com.au