

RBA wraps up 2018 where it began

The Reserve Bank of Australia (RBA) has today made the decision to keep the nation's official cash rate on hold at 1.50%, closing out the year in the same cash rate position it adopted in August 2016.

"Governor Lowe continues to anchor the cash rate at 1.50%. However, despite over two years of a stagnant cash rate, some borrowers have seen their mortgage interest rate rise whilst lenders have adopted stricter policies and criteria, creating one of the most complex lending environments in recent memory," said Mortgage Choice Franchisee Scott Partridge.

"This tightened lending environment, means a larger number of Australians are experiencing difficulty securing a home loan due to new, stricter assessment criteria in which their savings and living expenses are being forensically examined.

"That being said, those who present less risk are able to negotiate a more competitive home loan deal with lenders, who are competing vigorously for financially fit borrowers.

"Looking ahead, borrowers should not be complacent, as securing a home loan in 2019 may become increasingly complex. This highlights the need for borrowers to get their finances in order and seek expert advice from a qualified mortgage professional, who can guide them through the process and offer a choice of lenders." said Mr Partridge

The RBA's decision

A backdrop of positive economic data is continuing to support the Bank's accommodative stance on monetary policy.

The latest National Australia Bank Business Survey revealed that business conditions remained well above average in October, with conditions highest in mining and lowest in retail.

The Westpac Melbourne Institute of Consumer Sentiment revealed that consumer confidence had undergone a clear improvement over 2018. Respondents were much more positive about their own finances, due in part to a sustained period of low interest rates.

The most recent Hedonic Home Value Index from CoreLogic revealed that national dwelling values fell by 0.7% over November, led by 1.4% and 1.0% falls in Sydney and Melbourne respectively. Nationally, dwelling values were down 4.2% since peaking in October last year. This follows several years of strong growth in dwelling values and can be attributed to measures implemented by Australia's financial regulators in recent years. The decline in dwelling values, particularly in the nation's capitals could open the door to those looking to get their foot in the property market.

Encouragingly, the most recent Labour Force survey from the Australian Bureau of Statistics revealed an unemployment rate of 5.0% in October and the nation's participation rate is close to record highs, which could be a positive indicator for wage growth coming into the New Year.

In the minutes of the November Monetary Policy meeting, RBA board members noted that global economic growth had remained above potential throughout 2018 and Australian GDP growth was expected to be above average over 2018 and 2019. Labour market conditions have been stronger than expected and year-ended inflation had remained low in the September quarter.

Mr Partridge said, "The RBA board does not meet to make a cash rate decision in January however lenders' interest rates could move in the interim.

"Coming into the New Year, it's important for those looking to buy their first home or investment property to take stock of their financial situation and set clear, strategic goals. Falling property prices and attractive interest rates on new loans present a good opportunity for those looking to buy their first home.

"I would encourage first time buyers to make an appointment to speak to their local mortgage broker to find out if they're in a good financial position

to secure a home loan. An experienced broker will review a prospective borrower's financial position and help coach them through the steps to get home buying ready.

"The end of the year is a good time for borrowers to take stock and ensure their existing home loan is still suited to their needs. Borrowers should get a home loan health check to determine whether they could secure a more competitive interest rate or access flexible loan features," Mr Partridge concluded.

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