PRESS RELEASE

For immediate release
30 September, 2016

Cash rate to remain untouched while employment figures head south

- 100% of experts in the finder.com.au RBA survey expect the cash rate to pause at 1.5% for October
- One third of experts and economists predict a rate cut before the end of the year
- Majority of experts not concerned about falling employment figures

30 September, 2016, Sydney, Australia – Although national full-time employment figures have taken a dive, the cash rate is likely to be kept at 1.50% at the Reserve Bank's next board meeting (Tuesday 4 October, 2016), according to new research by finder.com.au, Australia's most visited comparison website[1].

All 33 leading economists and experts from the finder.com.au Reserve Bank survey are tipping the cash rate to hold for October 2016. However, there may be further movement to come in 2016, with one third of economists (11) predicting a rate cut before the end of the year.

Eight experts (24%) believe the cash rate will dip in November, while 9% expect it to drop in December.

Looking into 2017, a further thirteen economists (39%) are forecasting a cash rate fall within the first six months of the new year, while five (15%) are predicting a fall at a later time throughout the year. Just nine economists (27%) are tipping a rate rise beyond October 2017.

Graham Cooke, Insights Manager at finder.com.au, says that although experts are divided about when the next rate move will occur, it's likely that the Reserve Bank will continue to ease monetary policy for the foreseeable future.

"While there's uncertainty about when the next move will happen, it's widely expected that the direction of the next move will be down, with the RBA keeping a close eye on Consumer Price Index and inflation data.

---

[1] Experian Hitwise 2015

“Not enough time has passed since the latest rate cut, so the Bank is likely to continue it’s ‘wait and see’ strategy until it can fully assess the impact of the August rate cut on key indicators such as inflation and the exchange rate” he says.

When asked how low they expect the rate to fall this cycle, most experts (69%) expect the rate to fall no lower than 1.25%, with seven (24%) expecting a low of 1%. Just two (7%) experts are expecting it to fall even lower.

Given recent ABS labour force figures pointing to falling full time employment numbers, nearly half (44%, 12) of experts who weighed in expressed concern about this being a negative warning sign, while nine (33%) said they were not concerned. Some experts and economists cited the trend of flexible working arrangements as the cause for the relative drop in full-time employment figures.

“While full-time jobs have declined slightly, this isn’t necessarily a bad thing for the economy, as we’ve also seen an increase in part time and flexible roles. The employment sector is evolving to suit both working families and newly emerging industries which allow flexible hours.” Mr Cooke says.

Here’s what our experts had to say:

Jordan Eliseo, ABC Bullion, Chief Economist (Hold) : "We don't think the changing of the guard at the RBA alters in anyway the future path of monetary policy, but the board will be happy to sit tight for now, and monitor incoming data before making a cut in either late 2016 or Q1 2017."

Shane Oliver, AMP Capital, Head of Investment Strategy and Chief Economist (Hold): "Not enough has changed since the last rate cut in August and the RBA is likely waiting until the September quarter CPI release prior to the November meeting before deciding to move again."

Garry Shilson-Josling, Australian Associated Press, Chief Economist (Hold): "For the RBA, it's a matter of 'so far, so good'. And there [is] obviously increasing scepticism at the RBA of the effectiveness of further cuts: if there's a problem, it's not that interest rates are too high."

Darryl Gobbett, Baillieu Holst Ltd, Chief Economist (Hold): "Easing trend still in place with inflation expected to go lower and $A higher than desired but cuts to come in a considered fashion."

Richard Robinson, BIS Shrapnel Senior, Economic Forecaster (Hold): "No need to cut rates when unemployment rate steady and economic growth currently sufficient to keep it steady. Plus RBA needs to let [the] housing market cool further."

Michael Blythe, CBA, Chief Economist (Hold): "[The RBA are] waiting for Q3 CPI data at the end of October."

Savanth Sebastian, CommSec Economist (Hold): "RBA comfortable on the sidelines. Waiting on further data to see how the economy is tracking and also next round of inflation data."

Dr Andrew Wilson, Domain Group, Chief Economist (Hold): "Wait and see impact following recent cuts – also awaiting September quarter inflation data out next month. Will be also alert to recent sharp house price increases in Sydney and Melbourne."

Scott Morgan, Greater Bank, CEO (Hold): "Recent RBA commentary suggests that rates will remain low but not necessarily go lower. There is no new data to warrant a further rate cut."

Mark Brimble, Griffith University, Professor - Finance (Hold): "Bias remains to rate reduction, however the new RBA board will likely want to hold for a few months given the raft of factors in play at the moment."

Peter Haller, Heritage Bank, Treasurer (Hold): "The RBA will wait to see how the May and August rate cuts will impact on inflation before it considers moving the cash rate again."

Shane Garrett, Housing Industry Association, Senior Economist (Hold) : "Economic growth is moving in the right direction. The RBA will wait and see how August's rate cut works before another is made."

Robert Montgomery, Infrastructure Partnerships Australia, Chief Economist & Head of Policy (Hold): "The RBA will hold rates at 1.5% and wait for further signs of change before cutting rates again. The effectiveness of monetary policy to stimulate inflation and broader economic activity is diminishing, so we won't see a rate cut in October, rather we will see growing consensus that the way forward is through fiscal policy measures, such as investment in public infrastructure."

Michael Witts, ING Bank Treasurer (Hold) : "No significant further information [has been] released to allow the [RBA] to consider a change in the cash rate."

Alex Joiner, IFM Investors Chief Economist, IFM Investors (Hold) : "There is no catalyst in the data flow domestically or the environment globally that warrants any move."

Leanne Pilkington, Laing+Simmons, Managing Director (Hold) : "In the past week alone there's been reports that the housing market is cooling, and another ranking Sydney among the most at risk globally in terms of a housing bubble. The reality is much less dramatic and we believe leaving interest rates unchanged is the most appropriate course."

Lynne Jordan, Liberty, General Manager - Risk (Hold) : "As the RBA holds the official cash rate again this month the public should turn to the government and ask what other form of stimulation can kick start the economy. Whether that is investment in infrastructure, the public sector or incentives for the private sector – the economy needs something more than another rate cut to pick up. Despite the fact that unemployment is at a three year low, and commodity prices are still showing signs of improving, another rate cut will still happen – likely at the start of 2017. "

Stephen Koukoulas, Market Economics, Managing Director (Hold) : "Rates already stimulatory and recent data have been generally fair. No urgent need to adjust rates."

Michael Yardney, Metropole Property Strategists, CEO (Hold) : "Interest rates are likely to remain on hold, with our housing markets easing and economic growth remaining in line with expectations."

Emily Dabbs, Moody's Analytics, Economist (Hold) : "The central bank will likely wait to see how inflation responded to monetary easing earlier in the year before making any decision to ease further."

Christopher Schade, MyState Bank, Economist (Hold) : "The most likely scenario seems to be one where the RBA remains on hold for at least the remainder of 2016 as it waits for further information around domestic and global developments. The domestic economy is performing in line with expectations, and an anticipated US rate hike in December should help take some heat out of the Australian Dollar. There does not appear to be a compelling reason for further monetary easing at this point."

Saul Eslake, Economist (Hold) : "RBA is still evaluating the impact of last two rate cuts in May and August."

Alan Oster, NAB Chief Economist (Hold) : "RBA still looking at the results of recent changes to rates. [The] focus is on low inflation not growth."

Jonathan Chancellor, Property Observer, Editor (Hold) : "There's no prospect the new RBA Governor would make any move at his first meeting in the role."

Matthew Peter, QIC, Chief Economist (Hold) : "With markets taking the US Fed and Bank of Japan decisions in their stride, the RBA will now remain on hold for the rest of 2016. In the new year, it must weigh up developments in domestic inflation and the exchange in its decision to stay on hold or whether to cut again by 25bps."

Noel Whittaker, QUT, Adjunct Professor (Hold) : "The incoming Governor has just stated that dropping rates anymore may be pointless."

Angus Raine, Raine & Horne, Chairman (Hold) : "[The rate] will most probably lower before Christmas."

Christine Williams, Smarter Property Investing, Founder (Hold) : "The retail sector has had a boost in spending and the unemployment rate has had a slight reduction."

Janu Chan, St George Bank, Senior Economist (Hold) : "The RBA has just lowered the cash rate in May and August, and will take a bit more time before moving again. Recent commentary is also suggesting that the RBA is not in a hurry to move rates and it would be likely to wait until key CPI data released in late October."

Steven Milch, Suncorp Group. Economist (Hold) : "No clear evidence that growth or inflation are undershooting latest RBA forecasts."

Brian Parker, Sunsuper, Chief Economist (Hold) : "No new news on inflation or wages since last rate cut, and RBA has signalled it's happy with the cash rate where it is."

Nicki Hutley, Urbis, Director and Chief Economist (Hold) : "The economy is growing at around trend. While inflation is lower than optimal, it is still consistent with a target band of 2% to 3% 'over time'."

Other participants:

Bill Evans, Chief Economist, Westpac (Hold).

###

We now have a news feed on Twitter! Follow us for the latest updates or drop us a line to say hi: @finder_news.

For further information:

Bessie Hassan
Head of PR
& Money Expert
+61402 567 568
+61 1300 FINDER (346 337)
Bessie@finder.com.au