PRESS RELEASE

For immediate release
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Experts predict no move, but historic cash rate rise within sight

- All experts from the finder.com.au RBA survey are tipping a cash rate hold for February 2017
- Majority of experts (58%) think the next cash rate move will be up, which will be first increase since 2010
- Cash rate decisions not applying downward pressure on the AUD

6 February, 2017, Sydney, Australia – In a unanimous verdict, Australia's leading experts and economists are calling a cash rate hold tomorrow (Tuesday, 7th February), but previous cash rate decisions haven't had the desired affect on the Australian dollar, according to finder.com.au, Australia's most visited comparison website[1] .

All 32 experts and economists from the finder.com.au RBA survey are expecting the cash rate to be left untouched for February 2017.

While the Reserve Bank is likely to pursue a "wait and see" strategy by keeping the cash rate at 1.5% this month, expectations of a rate rise are in the pipeline.

More than half of experts and economists (58%) think the next cash rate move will be an increase, however just over half of these respondents don't expect a rise to occur until 2018.

Interestingly, five experts and economists (17%) are expecting a rate rise to be enforced this year, with three predicting this will happen as early as April or May.

Citing global uncertainty, survey respondents believe the Bank will keep a close eye on the activities of the United States under a new presidency.

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[1] Experian Hitwise 2015

Graham Cooke, Insights Manager at finder.com.au says we may be nearing the bottom of the cash rate cycle.

"With these predictions in mind, cash rate forecasts have taken an upward swing, with many believing the cash rate may have hit its lowest level.

"We're likely to see a stagnant period with the cash rate, as movement isn't widely expected in the first half of this year.

"Both inflation and economic growth remain areas of concern for the Bank, but gross domestic product (GDP) data released in March should provide greater clarity for what the Bank will do in 2017," he says.

However, of the economists who are expecting a rate drop (13, 42%), most of this group (9) forecast a rate cut to come by June 2017.

When asked about the impact of rate decisions on the local currency, 65% of experts who opted into this question, believe the Bank's cash rate decisions aren't applying significant downward pressure on the Australian Dollar.

"With this in mind, the Australian dollar has remained relatively high despite the cash rate being cut twice last year in May and August.

"Since the start of this year, the Aussie dollar rose from 72c to just shy of 77c so it appears cash rate cuts haven't had the desired impact of reducing the dollar value," he says.

Here's what our experts had to say:

Jordan Eliseo, ABC Bullion (Hold): "The RBA is likely to sit tight for a month or two, analysing all incoming data before they make their next move. They'll be worried about low inflation, but will also have one eye on resurgent investor activity in the housing space, whilst broader economic data hasn't softened enough (yet) to warrant immediate stimulus."

Shane Oliver, AMP Capital (Hold): "December quarter CPI was in line with RBA forecasts and RBA would like more time to see how the economy performs after its September quarter slump."

John Hewson, ANU (Hold): "Wait and see how things unfold, both globally under Trump, and domestically."

Richard Robinson, BIS Shrapnel (Hold): "[The] economy [is] still okay. RBA doesn't want to (or should not) [cut] because a rate cut will give a further unwelcome boost to the Sydney and Melbourne housing markets."

Paul Dales, Capital Economics (Hold): "The RBA will have to admit that economic growth both this year and next will be weaker than it previously thought, but due to the strengthening of activity overseas and the rise in the prices of Australia's main commodity prices, it won't revise down its underlying inflation forecasts by enough to trigger a rate cut. "

Michael Blythe, CBA (Hold): "RBA unlikely to cut against a backdrop of higher commodity prices and still hot housing market"

Savanth Sebastian, CommSec (Hold): "The Reserve Bank is comfortable on the interest rate sidelines. Will wait on more timely data, focus will be on business investment over the next six months."

Dr Andrew Wilson, Domain Group (Hold): "Should be a close call for a cut on the exposed economic data but the Bank has taken a conservative stance on settings lately so more likely to remain on hold - for now."

Scott Morgan, Greater Bank (Hold): "The economic data does not support the need to change rates."

Dr Mark Brimble, Griffith Uni (Hold): "Uncertainty and volatility in markets driven by US politics and variable economic data."

Alex Joiner, IFM Investors (Hold): "The case hasn't been made for a short term rate cut despite a softish inflation pulse."

Robert Montgomery, Infrastructure Partnerships Australia (Hold): "The RBA will hold for now, but continued low inflation and GDP growth indicate further rate cuts later in 2017. "

Michael Witts, ING Bank (Hold): "The economic data released locally and global developments suggest that the RBA will be on hold for an extended period."

Leanne Pilkington, Laing+Simmons (Hold): "We don’t see the Reserve Bank having the justification nor the desire for further easing after the rate cuts of last year. From a housing industry perspective, rates are already low and have been for some time, so that piece of the affordability puzzle is in place. It’s through other avenues like stamp duty reform that improvements in affordability need to addressed."

Nicholas Gruen, Lateral Economics (Hold): "Because this is consistent with their reasoning so far - even if it seems to me complacent, unambitious, and confused. "

Matthew Tiller, LJ Hooker (Hold): "Australian economic indicators are still mixed and the housing market still has a bit too much "heat" in it to move rates just yet."

Stephen Koukoulas, Market Economics (Hold): "The RBA is pig headed about the risks and growth momentum of the economy. It should cut but won't. Real GDP growth is soft, inflation remains below target and the unemployment rate is rising again. Yet is gives huge weight to house prices and therefore is reluctant to cut."

Michael Yardney, Metropole Property Strategists (Hold): "The annual figure for headline inflation (1.5 per cent) remains well below the RBA target range of 2 to 3 per cent. This makes the view by some commentators that a rise in rates will occur early this year unlikely. On the other hand the strong property markets in a number of states will make it difficult for the RBA to lower rates further. They're likely to hold steady and see how the year pans out."

Mark Crosby, Monash University (Hold): "International jitters aside the local environment is still solid and falling inflation now seems less likely in H1 2017."

Emily Dabbs, Moody's Analytics (Hold): "Inflation pressures remain downbeat and employment outcomes have improved only marginally. But highly leveraged households pose a downside risk to financial stability and this will likely keep the RBA on the sidelines."

Jessica Darnbrough, Mortgage Choice (Hold): "There is a lot of volatility at the moment in both the domestic and global markets. As such, I think the Reserve Bank will believe the best course of action is a stable cash rate setting."

Saul Eslake, N/A (Hold): "Monetary policy settings are already highly accommodative; data on growth and inflation since the last RBA Board meeting (in December) have been broadly in line with RBA expectations since monetary policy settings were last altered, and it's unlikely that those expectations have themselves been significantly revised, so no need to change policy settings now."

Jonathan Chancellor, Property Observer (Hold): "The board will need a few fresh indicators from 2017 data before they need take any action on the interest rate front."

Matthew Peter, QIC (Hold): "While weak growth and low inflation could justify a lower cash rate, the threat of exacerbating an overheated housing market and the lack of confidence that the RBA has in further rate cuts to deliver substantive economic stimulus will see the RBA keep the cash rate firmly fixed at its current setting of 1.5%."

Noel Whittaker, QUT (Hold): "No good reason to move rates."

Christine Williams, Smarter Property Investing (Hold): "[The] employment rate has been steady globally. We are watching USA foreign investment [which] will increase this month."

Janu Chan, St George Bank (Hold): "Developments over the past few months are not sufficient for a movement in rates. Low inflation and a mediocre pace of economic growth suggests that rates will remain low for sometime and keeps alive the chances of a cut. However, there is a hurdle for further rate cuts given some heat has returned to the housing market."

Steven Milch, Suncorp (Hold): "Activity data are quite solid yet inflation [is] still below target. One balances the other and suggests steady rates."

Brian Parker, Sunsuper (Hold): "Economic growth and inflation are panning out as the RBA has expected, at least for the time being."

Clement Allan Tisdell, The University of Queensland (Hold): "Uncertainty [is the reason the RBA will hold the cash rate]."

Nicki Hutley, Urbis (Hold): "The risk of asset price inflation is greater than the current need for additional stimulus."

Bill Evans, Westpac (Hold).

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