PRESS RELEASE

For immediate release
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RBA survey: Housing affordability still primary concern for Millennials

- A cash rate hold for March 2017 was accurately forecast by all 38 experts from the finder.com.au survey
- 68% of panelists think the next cash rate move will be up
- Half of the panelists believe Millennials face a bleak economic future compared to previous generations

7 March, 2017, Sydney, Australia – With recent data showing improved performance for the local economy, the Reserve Bank held the cash rate at 1.5% at today's board meeting, however the intergenerational debate is well and truly alive, according to finder.com.au, Australia's most visited comparison website[1].

All 38 experts and economists from the finder.com.au RBA cash rate survey accurately tipped a hold for this month.

Despite today's decision to keep the cash rate at 1.5%, more experts and economists believe the next cash rate move will be in a position direction. Currently, 68% of panelists who opted into this question (23 of 34) think the next cash rate move will be up. This has increased from 58% of panelists last month.

However, the cash rate isn't likely to lift in the coming months as the vast majority of panelists (68%) don't expect a rate rise until 2018 or beyond.

Graham Cooke, Insights Manager at finder.com.au says the cash rate level it likely to remain relatively consistent before starting to rise.

"With moderate improvement to the exchange rate and economic growth, the Reserve Bank has no urgent motivation to adjust rates just yet. From a macroeconomic perspective, things are ticking along well.

"Don't wait with bated breath, as we're likely to see a period of stability with the cash rate before it potentially starts rising wither later this year or in 2018" he says.

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[1] Experian Hitwise 2015

When asked whether Millennials face a bleak economic future compared to their parents' generation, half of the 20 economists surveyed on this question agreed with this statement. Citing housing as the primary concern, panelists also noted wages growth, career opportunities, and the shift to part time work as causes for concern.

Thirty-five per cent (7) of experts and economists disagreed saying housing, education and wages change over time with social shifts and policy changes. A further 15% (3) of panelists were on the fence.

Mr Cooke says the intergenerational debate polarises many, but it's clear housing affordability is a recurring theme.

"Although optimists argue technological innovation will allow Millennials to enjoy a higher standard of living and unlock associated employment opportunities, many believe housing affordability remains a challenge for this cohort," he says.

Here's what our experts had to say:

Shane Oliver, AMP Capital (Hold): "The RBA has a high hurdle to cutting again and not much has really changed since the last meeting."

Alison Booth, Australian National University (Hold): "Combination of economic fundamentals and housing bubble fears of the RBA will lead it to keep rates fixed."

John Hewson, Australian National University (Hold): "No clear argument to lower further. Too exposed to consider an increase."

Darryl Gobbett, Baillieu Holst Ltd (Hold): "Quite apparent RBA now is more concerned at future risks of increased household debt from lower rates than any, likely small, benefit to broader economic activity of lower rates. Also now taking a longer term view of meeting the 2-3% inflation target."

Peter Munckton, Bank of Queensland (Hold): "Rates are at the right level."

Richard Robinson, BIS Oxford Economics (Hold): "Underlying economic growth is weak, and although the dollar has appreciated recently, which would not please the RBA, there is still too much exuberance in the housing market. So they can't cut rates."

Paul Dales, Capital Economics (Hold): "The RBAs financial stability concerns related to the hot housing market and high level of household debt will prevent it from cutting interest rates to boost underlying inflation and economic growth."

Savanth Sebastian, CommSec (Hold): “RBA comfortably on the interest rate sidelines. Subdued inflation ensures rates can stay low for a longer period. However further rate cuts are unlikely given economy is showing signs of improvement.”

Dr Andrew Wilson, Domain Group (Hold): “Positive December quarter GDP numbers.”

Jordan, Eliseo (Hold): “A solid rebound in GDP figures and the RBA's strongly expressed reticence to ease further will see the bank sit tight for the foreseeable future.”

Scott Morgan, Greater Bank (Hold): “With the latest economic data showing a sound economy and revised growth forecasts, there's no impetus to change rates at the moment. Global drivers will remain an influence on future RBA rate decisions. At the moment I think the next move is up.”

Mark Brimble, Griffith University (Hold): “Economics fundamentals show some improvement, however impact is not widespread. At the same time market uncertainty and sensitivity is very high due to a range of economics, social and political issues that continue to impact with no end in site.”

Shane Garrett, Housing Industry Association (Hold): “No pressing need for intervention from the RBA with the current position of the exchange rate, inflation and economic growth.”

Alex Joiner, IFM Investors (Hold): “No material shift in data or sentiment since February.”

Robert Montgomery, Infrastructure Partnerships Australia (Hold): “The RBA will keep the cash rate steady. Economic growth and inflation figures will have to slide further before another cut to the cash rate is triggered.”

Leanne Pilkington, Laing+Simmons (Hold): “The RBA has been relatively open about its reticence to adjust the cash rate in the near term in case it jeopardises stability through people borrowing more in pursuit of high priced property. The softness evident in recent wage data lends itself to a hold position. We expect rate rises are quite a way off.”

Nicholas Gruen, Lateral Economics (Hold): “Because they have convinced themselves that this is the best way to minimise the risks to financial stability - though I disagree with them.”

Lynne Jordan, Liberty (Hold): “Like last month, the RBA will keep the cash rate on hold in March. However, despite summer being behind us, the property market appears to be hotting up, with growth in house prices showing no sign of slowing. Clearance rates are sitting at around 80% across Sydney and Melbourne and housing credit to investors continues to increase at a steady rate as well. This brings the question of housing affordability back to the forefront of everyone's concerns. Although increasing interest rates could help dampen investor activity and slow the market, inflation needs to pick up - likely driven by fiscal stimulus in the US - before the RBA can do anything.”

Matthew Tiller, LJ Hooker (Hold): “A stronger than expected GDP result combined with the ongoing strength of the Sydney and Melbourne housing markets should see the RBA hold rates steady in the short term.”

Stephen Koukoulas, Market Economics (Hold): “The RBA is more concerned about a few pockets of rising house prices than dealing with record low inflation, record low wages growth and a generally soft economy. It should cut but won't.”

John Caelli, ME Treasurer (Hold): “Cutting rates has the potential to increase house prices, which the RBA is closely watching.”

Michael Yardney, Metropole Property Strategists (Hold): “The latest stats show our economy is bouncing back, so there is no reason for the Reserve Bank to lower rates, especially as it is concerned about the hot property markets in Sydney and Melbourne.”

Mark Crosby, Monash University (Hold): “No domestic or international case for raising until after the Fed raises. Inflation is slightly below target, but has risen slightly so no case for a cut.”

Emily Dabbs, Moody's Analytics (Hold): “The RBA Governor has indicated that rising household debt and strong house price growth is a concern for the bank, curtailing further rate cuts despite inflation below its target band.”

Jessica Darnbrough, Mortgage Choice (Hold): “I think the Reserve Bank is keen to see what happens in both the domestic and global markets before making any adjustments to the current monetary policy setting. We know that Reserve Bank governor Philip Lowe believes lower rates could cause household debt to rise further, which is something he wants to avoid. As such, we are unlikely to see the RBA trim the cash rate at this meeting.”

Christopher Schade, MyState Bank (Hold): “The hurdle for another cut is high. While inflation remains subdued, and the outlook for economic growth over the next year couple of years slightly below trend, interest rate settings in Australia are very accommodative and remain appropriate at their current level.”

Saul Eslake (Hold): “Data released since the last meeting would not have given the Reserve Bank any reason to think the economy is in need of further monetary policy stimulus (indeed the December quarter national accounts will probably prompt some small upward revisions to their GDP forecasts when next released in May). And comments by Phil Lowe over the past month clearly indicate that he has little appetite for further reductions in interest rates, in the absence of a significant negative economic shock.”

Alan Oster, Nab (Hold): “RBA happy to sit and watch.”

Jonathan Chancellor, Property Observer (Hold): “There are few reasons to do otherwise.”

Matthew Peter, QIC (Hold): "The RBA will be forced to remain on the sidelines for a least another year – can't cut (for fear of stoking the housing market bubble), can't hike (due to weak growth and inflation)."

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

Christine Williams, Smarter Property Investing (Hold): "Unemployment has only slightly reduced by .01 %. The banks are reducing Credit Card interest rates, however they have increased their late fee charge, so there ROI will remain the same."

Janu Chan, St.George Banking Group (Hold): "The RBA believes the economy will improve enough for inflation to head back towards target. Recent rhetoric has been very positive, and the pickup in housing indicators will also prevent the RBA from lowering rates any further."

Steven Milch, Suncorp Group (Hold): "Solid growth is offsetting low inflation."

Clement Allan Tisdell, The University of Queensland (Hold): "[The RBA will hold] in order to maintain momentum in the non-mining sector."

Nicki Hutley, Urbis (Hold): "The economy has momentum and the housing market is frothy."

Peter Haller, (Hold): "Given the strength of the GDP print, there is no basis for a rate cut.'

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