PRESS RELEASE

For immediate release
2 May, 2017

The property market may have ‘peaked’, while cash rate on ice at 1.5%

- All 34 panelists correctly predicted the cash rate would stay at 1.5% this month
- Next move is likely to be up; 81% of respondents don’t think a rate rise will happen until 2018
- 63% of economists and experts think the Australian property market has peaked

2 May, 2017, Sydney, Australia – Leading experts and economists believe the Australian property market may have ‘peaked’, while the Reserve Bank decided to leave the cash rate at 1.5% today, according to finder.com.au, Australia’s most visited comparison website[1].

In the latest finder.com.au RBA survey, all 34 experts and economists correctly predicted the Reserve Bank would keep the cash rate at its current level of 1.5% this month.

When panelists were asked what they thought the Bank should do this month, three respondents (Dr Andrew Wilson of Domain Group, Stephen Koukoulas of Market Economics and Nicholas John Gruen of Lateral Economics) claimed the RBA should decrease the rate.

Interestingly, two experts and economists (Noel Whittaker of QUT and Clement Tisdell of UQ-School of Economics) said the Bank should increase the cash rate.

In terms of the next cash rate move, 78% of experts and economists are expecting a rise. However, the majority of this group (81%, 22) are not predicting the rise to come until 2018.

Graham Cooke, Insights Manager at finder.com.au says mortgage holders should protect themselves from future rate rises.

“One strategy you can employ is to split your mortgage rate. This way, you can enjoy both the flexibility of a variable rate and the stability of a fixed rate,” he says.

On the other hand, of the minority of panelists who are tipping the next move to be down,

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[1] Experian Hitwise 2015

most believe the cash rate will dip no lower than 1.0%.

An investment bank recently said the Australian housing market has “peaked”. In response to this statement, economists were divided; 60% (15) agreed while 40% (10) disagreed.

Mr Cooke says some capital city markets may have peaked, but it’s difficult to conclude whether the national market has peaked.

"Prices in some capital city markets, such as Perth, have deflated - but the cyclical nature of markets means it’s unlikely prices in other cities will increase indefinitely at their current rate.

“However, anyone holding out for a major price adjustment may be waiting a while. The general feeling is that while recent adrenaline-fueled price growth is likely to slow, it’s not expected that prices will fall dramatically. Prices may just plateau for a given period,” he says.

Recent inflation data indicated a 0.5% increase in CPI in the March quarter, but panelists were divided about the positivity of this news.

Most respondents (17, 57%) said current inflation figures did not indicate that the economy was improving. However, thirteen experts (43%) thought the latest inflation figures indicated the economy was heading in a positive direction.

Here’s what our experts had to say:

Jordan Eliseo, ABC Bullion (Hold): "The RBA remains in no rush to cut interest rates, despite the fact that most economic data has been soft, and inflation remains well controlled. Financial stability concerns are still a factor, though we remain of the view that there is more downside to come for rates in the next 12 months."

Shane Oliver, AMP Capital (Hold): "Worries about excessive home prices and debt growth prevent a cut, but low underlying inflation and wages growth prevent a hike and meanwhile growth is okay."

Alison Booth, ANU (Hold): "Key indicators suggest this."

John Hewson, ANU (Hold): "[We are] waiting on budget."

Darryl Gobbett, Baillieu Holst Ltd (Hold): "The RBA would see Australian inflation as moving in line with its longer term view, particularly with the signs of rising inflation, albeit from a very low base, overseas. In addition, the RBA would still see the potential systemic risks from increased household debt of cutting rates as being higher than any potential benefits."

Kishti Sen, BIS Oxford Economics (Hold): "Domestic demand remains weak."

Paul Dales, Capital Economics (Hold): "The rise in underlying inflation in the first quarter has reduced the need to cut interest rates further, especially when lower rates would boost the still hot housing market. "

Michael Blythe, CBA (Hold): "Low inflation says no need to raise rates. Hot housing markets says don't cut rates."

Savanth Sebastian, CommSec (Hold): "The Reserve Bank doesn't need to cut rates again with inflation trending higher, rather than lower. And there are doubts that rate cuts would actually do much in terms of driving the economy higher and lifting inflation. But similarly rate hikes are off the agenda. Given the slow growth in wages and range-trading in global oil prices, it is unlikely to result in a change to the domestic inflation landscape."

Dr Andrew Wilson, Domain Group (Hold): "Although momentum building for a rate cut, no clear case yet. RBA increasingly pincered between its narrative of high house price growth, a clearly weakening economy and independently higher mortgage rates."

Saul Eslake, Economist (Hold): "Both current and prospective conditions remain much as they have been at recent meetings - 'underlying' inflation below target but heading in the right direction; unemployment and other indicators of 'spare capacity' in the labour market higher than the RBA wants - so no case for raising rates; but also too much risk of fuelling further house price inflation to warrant cutting rates any further."

Mark Brimble, Griffith Uni (Hold): "While broad economic indicators suggest the economy needs further support, the concerns re certain elements of the credit and housing markets is likely to keep the RBA on the bench."

Shane Garrett, Housing Industry Association (Hold): "No particular advantage in changing rates one way or the other at this stage."

Alex Joiner, IFM Investors (Hold): "No justification to move - inflation data for Q1 was inline with the RBA's forecasts."

Michael Witts, ING Bank (Hold): "The broader economy is progressing in line with the RBA's expectations. The recent increases in housing loan rates especially for investors will slow this segment of the market."

Leanne Pilkington, Laing+Simmons (Hold): "Again, there are insufficient drivers to force the Reserve Bank to adjust rates at this time. While recent inflation figures appear to suggest the economy is moving in the right direction, concerns around demand for employment remain, and the forthcoming Federal budget is yet to go under analysts' microscopes. Against this background, we believe the prudent course is for the Reserve Bank to hold."

Nicholas John Gruen, Lateral Economics (Hold): "They're not sure of what to do."

Matthew Tiller, LJ Hooker (Hold): "Despite the recent rise in inflation, ongoing strong property price growth should ensure the RBA holds steady over the short term."

Stephen Koukoulas, Market Economics (Hold): "RBA continues to misread inflation, unemployment, wagers and growth. It should cut but it won't."

Michael Yardney, Metropole Property Strategists (Hold): "The recently released inflation figures, while moving into the RBA's target range, are on the low side. Until job numbers improve it would be safe to assume the RBA won’t be hiking interest rates to slow the property markets down. On the other hand they can't afford to drop rates and fuel our property markets."

Mark Crosby, Monash University (Hold): "The RBA will wait another month or two to evaluate global developments and assess the probability of a new US rate rise before considering raising."

Emily Dabbs, Moody's Analytics (Hold): "Inflation pressures are strengthening, full-time employment has improved, and high household debt continues to pose a risk to financial stability."

Jessica Darnbrough, Mortgage Choice (Hold): "The latest economic data suggests the Australian economy is tracking along quite nicely at the moment. Inflation has bounced slightly higher, the unemployment rate remains relatively low, and consumer confidence continues to sit around the point where optimists and pessimists are in equal number. With that said, I don't think there is anything out of the ordinary happening at the moment that would force the Reserve Bank to adjust its stance on monetary policy. "

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 couple of years is slightly below trend, interest rate settings in Australia are very accommodative and remain appropriate at their current level. The RBA appears particularly reluctant to deliver further cuts in light of the very buoyant housing market in certain regions."

Alan Oster, NAB (Hold): "[The] RBA [is] stuck between cutting for the broader economy and house price pressures."

Jonathan Chancellor, Property Observer (Hold): "All the numbers are settling into place nicely."

Matthew Peter, QIC (Hold): "Housing market risks constrain any attempt to lower the cash rate. Growth and inflation remain tepid constraining any thought of a rate hike."

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

Christine Williams, Smarter Property Investing (Hold): "Even though the major banks have chosen to increase, for the most part our resources, unemployment rates and retail sectors have not seen an increase."

Steven Milch, Suncorp (Hold): "Growth and inflation [are] gradually firming but not yet warranting higher rates."

Brian Parker, Sunsuper (Hold): "Inflation figures provide no great reason for RBA to change their views."

Clement Tisdell, UQ-School of Economics (Hold): "No reason to change."

Nicki Hutley, Urbis (Hold): "Growth and inflation remain well-behaved."

Bill Evans, Westpac (Hold)

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