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PRESS RELEASE

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No movement in September as experts predict US dollar to get more expensive for Aussies

- All 33 experts in finder.com.au RBA Survey correctly forecast cash rate hold at 1.5% this month
- 58% say the Australian dollar will slide further from the Greenback
- How to avoid getting ripped off by a weakening Aussie dollar

5 September 2017, Sydney, Australia – The Reserve Bank has left the official cash rate on hold in its first Spring meeting of the year, without much risk of a rate rise before Christmas, according to finder.com.au, the site that compares virtually everything.

All economists surveyed by finder.com.au unanimously predicted the RBA would keep the official cash rate on hold today – and only two in 33 believe there will be a rise this year. (Dr Andrew Wilson of Domain and Noel Whittaker of QUT).

While homeowners will be happy to keep paying low interest rates, experts in the finder.com.au RBA Cash Rate Survey, the biggest of its kind in Australia, say we can expect to be hit by a weaker Aussie dollar.

Almost 60% of experts say we should prepare for the Australian dollar to move lower against its US counterpart.

Graham Cooke, Insights Manager at finder.com.au, said a weaker Aussie dollar would heighten hopes for stronger economic growth over time.

“While the cash rate continues to tread water, a drop in the value of the Aussie dollar against the greenback would be a boon for Aussie businesses exporting to the US, but will mean less value for tourists heading to the States.

“The RBA is hoping that a weaker Australian dollar will help to bring inflation to within the targeted band of 2-3%.”

But a weaker Aussie dollar could pose problems for consumers.

“Cars, petrol, electronics and other foreign goods become more expensive when the Aussie dollar is weak and it doesn’t take long for the price hikes to find their way to consumers.”

Mr Cooke said the most prominent factor pushing the dollar lower would be the US Federal Reserve Policy.

“If the U.S. continues to increase their cash rate, it has a weakening effect on our dollar,” he said.

With a rate increase on the cards, Mr Cooke urged homeowners to knock down debt before Christmas.

“Consumers should be milking the record-low interest rates and paying down their home loan debts.

“Make extra repayments now so you don’t find yourself panicking when rates do go up. Also, while the Aussie dollar is still strong perhaps now is a good time to consider a US holiday.”

Mr Cooke warns Australians to brace for higher costs that will occur as a result of a lower trading rate.

“International money transfers and even overseas property investment all likely to take an even bigger toll on the hip pocket so be sure to shop around.

Using a credit card for international purchases, such as shopping online at a foreign store, may end up costing significantly more in Australian dollars than the U.S. Dollar purchase price.

“Make sure to work out the conversions beforehand and use a card with no foreign transaction fees.”

Here’s what our experts had to say:

Jordan Eliseo, ABC Bullion (Hold): "Latest economic data released, including todays CAPEX results, will give the board confidence that the economy is stabilising and set to continue on its trajectory of steady if not spectacular growth. As a result, they'll be confident that they have the appropriate monetary policy in place for now."

Tim Nelson, AGL Energy (Hold): "[The] latest RBA statement on monetary policy states: 'The Bank’s forecasts are little changed from those published in the May Statement on Monetary Policy."

Shane Oliver, AMP Capital (Hold): "The RBA and rates are stuck between a rock and hard place - solid business conditions and labour market indicators along with the RBA's expectations for strong growth argue against a rate cut but subpar growth at present, risks around consumer spending, low wages growth and inflation and the rise in the $A argue against a rate hike."

Alison Booth, ANU (Hold): "The available data do not suggest that any change is warranted at this stage."

John Hewson, ANU (Hold): "Hard to read [the] economy."

Darryl Gobbett, Baillieu Holst Ltd (Hold): "Continued concerns at strength of Australian economic recovery and weak wages and inflation outlook in conjunction with financial system issues of increasing household debt."

Peter Munckton, Bank of Queensland (Hold): "Interest rates are at the correct level."

Richard Robinson, BIS Oxford Economics (Hold): "Inflationary and wage pressures are weak. RBA would prefer to have a lower dollar, so there is a rationale to cut rates. But RBA fears heating up residential property markets, so it will hold rates."

Paul Dales, Capital Economics (Hold): "Interest rates are stuck in the mud, with financial stability concerns preventing more cuts and the weakness of economy/inflation preventing hikes."

Craig James, CommSec (Hold): "Interest rates are at a level that will gradually see inflation rise to within the 2-3% target zone."

Dr Andrew Wilson, Domain Group (Hold): "Reserve Bank is maintaining an optimistic medium-term view of the economy despite recent negatives of high dollar, sharply falling home building approvals and subdued wages growth."

Saul Eslake, Economist (Hold): "Inflation still below target; unemployment and underemployment below where the RBA wants them to be; currency starting to get into "uncomfortable" territory; but (on the other hand) monetary policy already highly accommodative (and RBA worries about financial stability risks associated with easing further)."

Mark Brimble, Griffith University (Hold): "The economy remains fragile and in need of some support, however other concerns will keep the RBA on the bench for some time in relation to cash rates."

Peter Haller, Heritage Bank (Hold): "The state of the economy means that the RBA is content to leave rates on hold for now."

Shane Garrett, Housing Industry Association (Hold): "There is no pressing need to move rates at this time."

Alex Joiner, IFM Investors (Hold): "No economic reason to shift policy, economic growth and inflation do not require tighter policy and downside risks to the economy currently do not present any case for further easing."

Michael Witts, ING (Hold): "Still very little reason to move on rates."

Leanne Pilkington, Laing+Simmons (Hold): "We think the hold pattern remains appropriate. The reasonably strong Aussie dollar, encouraging employment figures and credible results from the reporting season all point to a steady economy, leaving little impetus to tinker with the cash rate at this time."

Nicholas Gruen, Lateral Economics (Hold): "Because it's convinced itself it shouldn't cut more, and it obviously shouldn't raise rates."

Mathew Tiller, LJ Hooker (Hold): "Little discernible change to economic indicators over the past month. Price growth across most east coast property market has moderated and listing number have begun to rise in the run up to spring."

Michael Yardney, Metropole (Hold): "The RBA can't raise rates as it would stifle our fragile economy and would lead to a higher AU$. Similarly, it can't lower rates as this would fuel the Sydney and Melbourne property markets. So rates are likely to be on hold for a while."

Mark Crosby, Monash Business School (Hold): "Aside from political tensions in North Asia nothing to move the RBA in either direction. Weakening of the USD makes the case for imminent rises less compelling, and no reason to cut."

Chris Schade, MyState Bank (Hold): "Interest rate settings remain appropriate. Economy is performing a little below trend, inflation remains well contained, and the Aussie dollar is higher than the RBA would like. Holding rates at their current highly accommodative level is appropriate to allow the economy to continue to gain momentum over the coming couple of years."

Alan Oster, NAB (Hold): "Still too early to change. Economy and labour market doing well but house prices still strong - especially Sydney / Melbourne."

Jonathan Chancellor, Property Observer (Hold): "The board will be happy to take their hold position into the second year as there's no elevated cause to move one way of the other."

Matthew Peter, QIC (Hold): "Lack of wage growth and inflationary pressure combined with weak economic growth could justify a rate cut. However, until the housing market shows sustained signs of slowing, the RBA can't lower rates."

Noel Whittaker, QUT (Hold): "I don't think they are ready to lift yet – but they will be thinking about it."

Nerida Conisbee, REA Group (Hold): "Economic data continues to be too mixed to move either way."

Christie Williams, Smarter Property Investing (Hold): "Our Big 4 financial institutions are at or under APRA's 30% investor home loan limit whilst continuing to grow their home and investor loan books."

Brian Parker, Sunsuper (Hold): "Nothing in the data or the RBA's commentary that points to a move."

Richard Holden, UNSW (Hold): "Their multiple objectives (inflation, housing prices, AUD, wages growth, gdp) are moving in conflicting directions.

Clement Tisdell, UQ-School of Economics (Hold): "Statements of the Reserve Bank."

Other participants: **Bill Evans, Westpac (Hold).**

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For further information:

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