PRESS RELEASE

For immediate release
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Could the New Payments Platform (NPP) pose a security risk for consumers?

- No cash rate move for November 2017, as tipped by industry experts
- The New Payments Platform (NPP) could expose consumers to fraudulent transactions
- How to protect yourself from financial fraud or scams

7 November 2017, Sydney, Australia – The New Payments Platform (NPP) due to launch next year will offer greater value to consumers, but experts and economists are concerned about the security risk it may pose for transactions, according to finder.com.au, the site that compares virtually everything.

The Reserve Bank of Australia (RBA) left the cash rate at 1.5% at its board meeting this afternoon, an outcome which was correctly tipped by all 30 members of the finder.com.au RBA Survey.

A high Australian dollar, slow wage growth, and low inflation were some of the driving forces behind the RBA's decision to leave the cash rate untouched.

Graham Cooke, Insights Manager at finder.com.au, says mixed economic signals could explain why the RBA held the rate.

"The RBA isn't in a hurry to adjust interest rates just yet. With inflation below target and spare capacity in the labour market, there's no pressing case to adjust policy settings at present," he says.

Fifteen months have passed since the RBA last moved the cash rate, but looking at Melbourne Cup day specifically over the years, rates have been static for longer. There's been no movement in November since 2011, when the rate was cut by 0.25 percentage points.

Since 1990, there have only been four cuts and six rate rises at this time of year.

Interestingly, there’s potential for the cash rate to remain stagnant until 2019’s Melbourne Cup, with two in five panellists surveyed (39%) not expecting a rise until November 2018 at the earliest.

However, what is likely to change in the financial space is the introduction of the New Payments Platform (NPP), due to launch in Australia next year. The NPP will enable real-time payments between Australian bank accounts for the first time.

“No longer will you have to wait until Tuesday morning to receive a payment sent to you over the weekend. From Australia day next year, banks will start to introduce instant payments between accounts, available seven days a week and on public holidays,” Mr Cooke says.

Ahead of the NPP launch, there was concern that there may be catch-up time for the banking sector, as decentralised currencies such as bitcoin and platforms like PayPal already offer instant payments. However, panellists disagree with this view with 14 (93%) of those who opted in saying it’s not too late for traditional banking to compete.

However, there was fear among the panel that instant payments could mean banks have less time to check for fraudulent transactions before releasing a payment. Ten of those surveyed (77%) thought fraud was a legitimate concern.

“Consumers need to be vigilant with their data once we have ubiquitous instant payment in place. Keep your details private, and never click on any links received by email that appear to be from your financial institution.

“Always log into your bank account in an independent window and check the corresponding message from your bank once logged in”, Mr Cooke warns.

Here’s what our experts had to say:

Jordan Eliseo, ABC Bullion: (Hold) "Despite concerns about a slowdown in retail sales growth over the last few months - the RBA still appear confident in the outlook for the Australian economy, though their rhetoric around tightening policy has changed appropriately. We still see the next move as down, but it will not come until Q1 2018 at the earliest."

Tim Nelson, AGL Energy: (Hold) "Little change in conditions."

Shane Oliver, AMP Capital: (Hold) "RBA expectations for stronger growth ahead, high levels of business confidence and strong employment growth all argue against a rate cut. But a slowdown in the housing cycle, risks around consumer spending, weak wages growth and inflation and the too high Australian dollar argue against a rate hike. So the most likely outcome is rates remaining on hold - out to late 2017 at least."

Paul Dales, Capital Economics: (Hold) "The economy and inflation are not strong enough to warrant higher interest rates, but nor are they weak enough to justify lower interest rates. "

Michael Blythe, CBA: (Hold) "Low inflation means [there is] no rush to act."

Peter Gilmore, Gateway Credit Union: (Hold) "Looks like we are in an inflation trap."

Scott Morgan, Greater Bank: (Hold) "Domestic economic data is mixed and does not yet support a move."

Mark Brimble, Griffith Uni: (Hold) "Economy is still struggling to gather any meaningful moment."

Shane Garrett, Housing Industry Association: (Hold) "No need to increase rates at this time: economic growth has to have enough space to recover to its trend rate and inflationary pressures are weaker than expected."

Paul Bloxham, HSBC: (Hold) "Inflation is still below target."

Alex Joiner, IFM Investors: (Hold) "Economic signals are mixed, especially outside the labour market. Added to this inflationary pressures are subdued and wages growth are anticipated to remain soft."

Michael Witts, ING Bank: (Hold) "The RBA is comfortable with the current setting of rates and does not appear to be in a rush to change the policy settings. the low CPI print supports a further extension of stable rates."

Leanne Pilkington, Laing+Simmons: (Hold) "Recent data pointing to flat price growth and subdued clearance rates reinforce the case for a hold decision. Of course, the housing market is more complicated than this, with different suburban markets performing according to their own fundamentals."

Matthew Tiller, LJ Hooker: (Hold) "Despite strong employment numbers, inflation and wage growth remain soft. Property price growth has moderated, relieving pressure on the RBA to shift rated."

Stephen Koukoulas, Market Economics: (Hold) "RBA will continue to ignore weak inflation and wage results and instead create a perception of concerns about financial stability. A rate cut is long overdue."

John Caelli, ME: (Hold) "The RBA has signalled the next move will be up."

Michael Yardney, Metropole Property Strategists: (Hold) "Our housing markets have slowed down, so there is no need for the RBA to raise rates, and even though inflation is below target and the economy is flat, they dare not lower rates in fear of fuelling the property markets."

Mark Crosby, Monash University: (Hold) "Pressures to cut rates have diminished to near zero, so the question now is on the timing of rate increases - which should hinge on international developments."

Jessica Darnbrough, Mortgage Choice: (Hold) "The domestic and international economies are starting to show signs of improvement, which could encourage the Reserve Bank to lift the cash rate at some point over the coming months. That said, for right now, inflation remains below target, which will no doubt lead the Board to leave the official cash rate on hold. "

Chris Schade, MyState Bank: (Hold) "The economy is showing some promising signs, including the drag on growth from the unwinding of the mining investment boom being near its end, business confidence and conditions solid, strong levels of public infrastructure work, dwelling construction plateauing as opposed to declining, and quite high levels of job creation. There remain some weak spots however (e.g. wage growth, consumer confidence in their personal finances), and some areas of the economy that are in transition (e.g. housing market following numerous regulatory changes - albeit localised conditions vary widely). Overall, while it appears the economy is on the right track, the RBA will likely continue to hold the cash rate at 1.5% and allow the economy some more time to develop. On current information, it would seem probable the RBA will hike in 2018, most like the second half."

Saul Eslake: (Hold) "The RBA's made it clear that it has no desire to cut rates further in the absence of any currently unforeseen negative shocks; while the data flow since the last meeting won't have done anything to prompt the RBA to bring forward any thoughts about tightening. In particular, the slightly lower-than-expected inflation outcomes for Q3 have left 'underlying' inflation still below the RBA's target range."

Jonathan Chancellor, Property Observer: (Hold) "The recent decisions of central bank board and other regulatory authorities may have faded in time, but are still working their way through the economy, so no need just yet for any fresh adjustment."

Matthew Peter, QIC: (Hold) "The lack of inflation pressure takes out-of-play any chance of rate hikes over coming months. Rate cuts are off the table unless the labour market slumps and the housing market has showed sustains signs of cooling."

Noel Whittaker, QUT: (Hold) "The housing boom is tapering off – there is no reason to raise rates to stifle demand."

Nerida Conisbee, REA Group: (Hold) "Economy still not strong enough to increase and housing too volatile to cut."

Janu Chan, St.George Bank: (Hold) "RBA is becoming increasingly optimistic in regards to the labour market and a recovery in non-mining investment. However, low inflation, slow wage growth, spare capacity still evident within the labour market suggests the RBA is still a way from raising rates."

Brian Parker, Sunsuper: (Hold) "Not enough has changed in the last month for them to change course at this point."

John Hewson, UNSW: (Hold) "Economic signs point to the cash rate staying where it is for quite a while, perhaps even for the next twelve months or more."

Clement Tisdell, UQ-School of Economics: (Hold) "An increase may have a negative impact on economic sentiment at a time when the housing market effects have to be carefully managed."

Other participants:

Bill Evans, Westpac: (Hold)

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