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01 October 2019

MEDIA RELEASE

Rate cut must be passed on to households and businesses

“The banks will need to pass on today’s interest rate cut to their customers, both households and businesses, if it is to have the intended impact,” stated HIA’s Senior Economist, Geordan Murray.

“The RBA cut its benchmark cash rate to a new record low of 0.75 per cent at today’s Board meeting – the third cut in four months.

“The RBA cited a number of concerns about the economic outlook that justify its further easing. A key concern relates to underutilised labour force capacity and the impact of subdued demand from the household sector in the face of persistently low wage growth.

“The recent uptick in the market for established homes should allay concerns that further falls in home prices and the housing wealth effect could continue to apply a brake on household spending.

“These market improvements have not yet translated into improved demand for new homes.

“If passed on, the rate cut will be great news for homebuyers, particularly first home buyers pursuing their home ownership aspirations.

“If the rate cut is passed on to business customers it will go a long way to supporting those businesses in the residential building industry enduring challenging trading conditions.

“Whether it be residential building, non-residential building or engineering construction, building activity generates employment. Any increase in demand for construction will generate more jobs.

“Today’s interest rate cut must be complemented by further action from state and federal governments to address the concerns about the broader economic outlook raised by the RBA.

“The construction sector can play a bigger role in lifting the Australian economy.

“There is an opportunity for government to invest in infrastructure that enables the private sector to improve productivity and lifts the living standards of the community,” concluded Mr Murray.

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