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RATES DECISION DIFFICULT TO FORECAST

Suncorp Bank says today's interest rate decision by the Reserve Bank of Australia is a tough one to predict.

Suncorp Bank Executive General Manager Tim Buckett said financial experts were evenly split on whether interest rates would hold steady or rise another 25 basis points.

"In recent months it has become increasingly difficult to forecast what the Reserve Bank plans to do," Mr Buckett said.

"Its decision last month to halt the tightening cycle at 3.75% shocked the market but wage inflation figures released this month show the slowest growth rate in almost a decade.

"While the unemployment rate continues to fall, underemployment seems to be an issue with figures released by the Australian Bureau of Statistics* last week showing 26 per-cent of part time workers would prefer to work more hours.

"This combined with sluggish retail sales would suggest the Australian economy is still in recovery mode.

"On the other hand positive employment data, a strong housing market and a significant increase in construction work point to an interest rate rise."

Mr Buckett said homeowners should take comfort in the fact that interest rates were still comparably low.

"Borrowers are still forking out significantly less money than they were when interest rates were sky-high at more than 7% only two years ago," he said.

"An interest rate rise is sure to occur at some point this year and the best advice for homeowners is to put some extra money towards their mortgage while rates are still relatively low.

"This will ensure they're on the front foot when rates inevitably increase."

For more advice on managing your mortgage and savings visit www.suncorp.com.au for helpful tools such as the Suncorp Budget Planning Calculator.

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*Australian Bureau of Statistics report on Underemployed Workers, Australia, Sep 2009 - <http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyReleaseDate/44CFFE8B36AD60B8CA2568A9001393EC?OpenDocument>