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Reserve cuts rate to stimulate economy

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The Reserve Bank of Australia's decision on 4 November to cut the cash rate by 75 basis points to 5.25 per cent is a further attempt to stimulate the economy, according to The Real Estate Institute of Queensland (REIQ).

REIQ managing director Dan Molloy said the rate cut was a sign the Reserve is more focused on the overall direction of the national economy than the threat of inflation.

"Australia's economy has been affected by the global financial crisis with lower consumer spending and business confidence, a subdued housing market and the risk of higher unemployment," Mr Molloy.

"While the Federal Government's \$10.4 billion economic stimulus package - introduced last month - was designed to reenergise the economy, the Reserve obviously believes more help is needed and has cut rates by 0.75 per cent."

Mr Molloy said all lenders should now be in the position to pass the full rate cut on, which would also help stimulate the Queensland property market.

"The three interest rate cuts in as many months - as well as the First Home Owner Boost initiative and the new stamp duty threshold for first-time buyers - will shore up confidence in the residential property market over coming months."