Building a Better Australia

Urban Development Institute of Australia NATIONAL

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RATE CUT NEEDS TO BE MATCHED BY MORE LENDING

The latest cut to interest rates will need to be matched by more sensible lending rules to have the desired effect of stimulating the economy, according to the Urban Development Institute of Australia (UDIA).

The Reserve Bank's decision to lower the official cash rate to 0.75 percent has been welcomed by UDIA's National Executive Director Connie Kirk.

"The latest cut to the official cash rate is a clear signal that underlying economic conditions are soft and we need to rev up activity," Ms Kirk said.

"However, the cheaper credit is not flowing to potential homebuyers given the banks are continuing to apply a frugal approach to lending.

"Housing industry leaders have been making it clear for months now that housing credit is difficult to access and home loan assessments are a tortuous process.

"A measured approach to loan assessments is always sensible but right now the balance is tilted too strongly against homebuyers.

"New housing construction is crucial to the nation's economic trajectory – providing jobs up and down the supply chain, as well as boosting wages and consumer confidence.

"The risk right now is that development pipelines are thinning, housing approvals remain low and the drag on economic growth will remain.

"The other medium-term risk is that the mismatch between supply and demand quickly re-emerges, which has consequences for housing affordability.

"Likewise, we'd urge banks to pass on the full rate cut as the economy is clearly in need of every extra bit of juice available."

Media: Connie Kirk | 0412 244 988
www.udiapriorities.com.au