

Reserve Bank's rates hesitancy is hurting workers

Today's National Accounts figures should send a clear signal to the Reserve Bank of Australia to urgently cut its cash rate at their next meeting on December 10.

Mortgage repayments as a percentage of household disposable income are now at a 15-year high of 10.2 per cent, reinforcing the ACTU's calls for the Reserve Bank to provide relief for working people going into the holiday season.

Under the weight of interest rates, economic growth has slowed to just 0.8 per cent for the year, its lowest level since the 1990s, outside the pandemic.

Australia's declining inflation rate has been broadly in line with other developed countries, such as the United States, Canada, New Zealand and in Europe where central banks have already started cutting rates.

The Reserve Bank of Australia is hesitating to do the same here, despite Australia's headline inflation rate falling back to 2.8 per cent, within its inflation target band.

Working people urgently need to see interest rates returning to normal levels to manage cost-of-living pressures.

A quarter of a percentage point interest rate cut would mean that a worker with an average-sized mortgage would be \$100.00 a month better off, or around \$1,178.00 a year.

Quotes attributable to ACTU Secretary, Sally McManus:

"Today's data makes clear that the Reserve Bank's approach on interest rates is making working people's mortgages unaffordable and that is weighing down our economy.

"The Reserve Bank needs to follow the rest of the world and decisively cut rates from next week. We reject the Reserve Bank's view that unemployment needs to go up to bring down inflation. Not only does this inflict more pain on people, but it shows a continued misunderstanding of the current relationship between employment and inflation. As many economists are now saying, unemployment can be at its current rate with lower inflation.

"Central banks in almost all advanced economies have already started cutting their official cash rates – and it is time for Australia's Reserve Bank to do the same."

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