

INTEREST RATES SERIES PART 1:

# WHEN ARE RATES REAL AND WHEN ARE THEY NOT?

There's been a lot of recent media attention on interest rates, with some commentators saying they will remain as is while others are suggesting they'll fall even lower.

The latter opinion seems to match what we're hearing from the Reserve Bank, with Governor Philip Lowe recently announcing the official cash rate might even go down by another half a per cent to 0.50%.

While this may seem like good news for consumers, the problem we are seeing for our clients is that the banks aren't readily lending enough money to them. They are also reluctant to lend to property developers and builders, which are generally the mainstay of the economy.

This is totally against what the government is trying to achieve; their intent is to increase lending and encourage more spending, thereby boosting business activity and improving economic conditions. It also doesn't make sense because the Reserve Bank doesn't want consumers getting into more debt - it wants businesses to invest and borrow more money.

However, if consumers are in the position to borrow to buy a house or complete a renovation, or are able to purchase new goods, they are assisting businesses to grow, employ more people and boost the economy.

For home loan clients, the current talk in the media and by the government is that all homeowners should check their interest rate and if it sits at over 4 percent, it's time to shop around. But how easy is it to do this?

With onerous lending criteria by the banks, it's difficult for consumers to take advantage of the attractive interest rates the banks are offering. It's challenging for homeowners just to get through the credit process and when – or if! - they do obtain an approval, it's not easy to predict what amount, terms and interest rate they will be eligible to receive.

In our view, it's a bit like winning a golden ticket to a Ball - but you don't have money to afford the new dress or suit! Or for those clients who may remember TV ads from the 80s, it is a Clayton's Interest Rate – the interest rate you get when you can't get the interest rate!

(If you want to take a trip down memory lane, or for those that want to know more about old Australian culture, check this link.)

**If you have any questions or concerns regarding this matter, please call the Client Services team on (08) 9227 6300 or email [clientservices@austasiagroup.com](mailto:clientservices@austasiagroup.com).**

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# How can we help you?



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