

RBA interest rate cut will be good for economy

April 30 2012

The incoming acting head of Queensland University of Technology's (QUT) School of Business said a reduction in Australia's official interest rates would help the nation's manufacturing and tourism industries.

Emeritus Professor Tim Robinson, who takes up his position at QUT later in May, said a reduction in [interest rates](#) would put downward pressure on the Australian dollar and this in turn would help those industries that have been hit hardest through the [global financial crisis](#).

"A lower Australian dollar would enable Australia's [tourism industry](#) to be more competitive internationally by making Australia a more affordable destination," he said.

"The manufacturing industry would benefit as a lower Australian dollar would make manufacturing exports more attractive internationally and increase the cost of imports."

The Reserve Bank of Australia (RBA) will tomorrow announce whether there will be a change to Australia's official interest rate of 4.25 per cent.

Professor Robinson said conjecture within financial circles pointed towards an interest rate cut of up to half of one percentage point.

He said the benefits of an official interest rate cut would be felt by business regardless of the decisions of individual banks.

"A signal that rates are on the way down will in itself have an impact on the value of the dollar."

Professor Robinson said a fall in interest rates would also be good news for home buyers so long as the banks followed suit.

"If the RBA announces a cut in rates tomorrow the general public will be watching the banks in the coming days in anticipation of a cut in home loan interest rates," he said. The RBA last cut official interest rates in December 2011.

Provided by Queensland University of Technology

Citation: RBA interest rate cut will be good for economy (2012, April 30) retrieved 8 May 2024 from <https://phys.org/news/2012-04-rba-good-economy.html>

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