

Rate that starts a nation

Christmas cheering

Compare your rate

*Yellow Brick Road	6.94%
*Aussie Home Loans	6.95%
Commonwealth (7.81%)	7.56%
Westpac (7.86%)	7.61%
Bank of Queensland (7.86%)	7.61%
*NAB	7.67%
*Bankwest	7.70%
*ANZ	7.80%
*St George	7.80%
*Suncorp	7.83%
*Citibank	8.02%
* yet to change	

Change in repayments per month (based on an average 25-year loan)

\$100,000	-\$16.37
\$150,000	-\$24.55
\$200,000	-\$32.74
\$250,000	-\$40.92
\$300,000	-\$49.10
\$350,000	-\$57.29
\$400,000	-\$65.47
\$450,000	-\$73.66
\$500,000	-\$81.84
\$600,000	-\$98.21
\$700,000	-\$114.57
\$800,000	-\$130.95
\$900,000	-\$147.31
\$1,000,000	-\$163.67



Picture: Nic Gibson

Rate cut will help during the Christmas craziness: Nicola, Sue, Aaron and Josh Martin at their Seven Hills home

Phil Jacob Business Editor

IT was the rate cut that may have saved Christmas.

That was the message from a relieved business community yesterday, which described the Reserve Bank's decision to slash official interest rates as a boost desperately needed by Australian families.

As millions watched the race that stops a nation, homeowners struggling with the pressures of mortgage repayments already had a win in the bag, secured just half an hour earlier.

The Reserve's decision to clip rates by 25 basis points to 4.5 per cent was the first move by the central bank since it raised rates on Melbourne Cup day last year — and the first time rates had been cut in more than 2½ years.

Australian National Retailers Association CEO Margy Osmond said retailers had been crying out for assistance from the Reserve for over a year, claiming shops were heading towards a second-straight horror Christmas trading period. They now had their salvation.

"Retailers will be happier

than a kid on Christmas morning with this announcement," Ms Osmond said.

"Retail in Australia needs this boost going into the vital Christmas season, particularly after a year where retail sales figures have hovered around a third of the usual growth rate."

If passed on in full by all the major banks, the rate cut will trim the average mortgage repayments on a typical 25-year, \$300,000 home loan by about \$50 a month.

Westpac took just 15 minutes to match the Reserve, cutting its standard variable rate by 25 basis points to 7.61 per cent,

effective from November 14. Fellow big-four pillar, Commonwealth Bank also lowered rates on a series of variable home packages by 25 basis points — trimming them to between 7.66 per cent and 6.86 per cent, depending on the product, from Friday.

Bank of Queensland and ME Bank also stepped in with similar rate reductions, but as of last night both ANZ and NAB had failed to follow in the footsteps of their rivals.

With two young children, a mortgage and two investment properties, yesterday's cut was warmly welcomed by the Mar-

tin family from Seven Hills, in Sydney's west.

Printer Aaron and school administration worker Sue, who have a total debt of about \$650,000, said the decision would have a big impact on their family budget.

"Everything seems to be going up so to get a rate cut close to Christmas is good," Mrs Martin said.

"This time of year seems to be crazy, you're sinking money on everything."

Economists pointed to the strong balance sheets of the major banks as proof they had little reason to not to pass on

the cuts in full. NAB last week reported record full-year cash profit of \$5.5 billion, while Westpac is also tipped to report record results later today, with analysts expecting cash earnings of about \$6.3 billion for the year.

In even better news for households, analysts have suggested it may not be the last rate cut of the year.

AMP chief economist Shane Oliver said the wording of the Reserve's statement suggested more rate cuts: "I think it's definitely left the door open."

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Good news to hit home with boost to confidence

Kirsten Craze

SYDNEY'S lacklustre property market was among the big winners from yesterday's interest rate cut.

Coming just a day after the latest RP Data-Rismark home value index showed Sydney house values were still sinking, the Reserve Bank's decision was greeted with much relief by real estate agents — and their vendors.

Sydney auction clearance rates remain between 50 and 55 per cent, with private treaty average time on market stretching from 35 to 51 days over the

past year. The median dwelling value is now as low as \$500,000.

"The market is in need of stimulus and the first downward movement in rates since the GFC could be the shot in the arm called for," Laing+Simmons general manager Leanne Pilkington said.

"The market has experienced flat conditions, with many potential buyers apparently waiting on this news. We are headed for an interesting end to the year on the back of (the rate cut)."

She said a drop in interest rates could be viewed as the "last piece of the jigsaw" to improve buyer sentiment.

"Prices are flat, unemployment is low and the Australian economy, at least in a global sense, is comparatively strong. A declining interest rate environment completes the picture in creating a compelling case for buyers," she said.

Ray White Group chairman Brian White said the "winners" were buyers and sellers on the market sideline.

"We have now been discussing a possible rate increase for nearly two years as a nation," he said.

"It has clearly been inhibiting the psyche of some potential buyers and sellers who have lacked the economic

confidence to make decisions about property transactions in that period."

Those already paying off a home are also winners. This time last year Alexandra Johnston faced the daunting prospect of building a house on the back of seven straight interest rate rises.

She had bought land in Kellyville Ridge and had to juggle three jobs as her weekly loan repayments rose from \$310 to \$500. While yesterday's cut was a relief, Ms Johnston said she would keep paying the same mortgage repayments.



Relief: Ms Johnston

Terry McCrann page 24