

RBA cuts interest rates to 3 percent

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By Emma Thelwell and Stuart Fagg, **ninemsn Money**

The Reserve Bank of Australia has cut interest rates to 3 percent today, but there are still fears that commercial banks will not pass on any reduction.

Treasurer Wayne Swan and opposition leader Malcolm Turnbull yesterday urged the banks to pass on any cut in full.

Glenn Stevens, governor of the RBA, said the 0.25 percent rate cut was necessary despite the "major change in both monetary and fiscal policy" in Australia, following Prime Minister Kevin Rudd's \$52 billion stimulus plan.

"The board judged that there was scope for a further modest adjustment to the cash rate. The stance of monetary policy, together with the substantial fiscal initiatives, will provide significant support to domestic demand over the period ahead", he said.

Economists had been divided over the outcome of today's meeting with predictions ranging from no move to a 50 basis point cut. However, more rate cuts may be coming.

"We are getting towards the end of the cutting cycle, but we can't rule out further rate cuts," Besa Deda, chief economist at St George Bank told ninemsn.

Yesterday, Mr Swan acknowledged that there are a "complex set of factors out there and that funding costs have been bouncing around".

"But we'd most certainly we'd like to see any official rate cuts passed on as soon as possible, there's no doubt about that", he added.

Westpac chief executive Gail Kelly warned yesterday that the cost of securing wholesale funding lending for commercial banks is "higher than it's ever been", while NAB CEO Cameron Clyne said recently that banks could not guarantee that cuts would be passed on.

The RBA's decision follows yesterday's grim news on employment prospects.

ANZ's monthly report on job advertisements showed that ads have fallen a massive 44.6 percent since the same period last year, the biggest annual decrease on record.

The RBA now slashed interest rates six times since December, in an attempt to stave off a recession, pulling rates down by 425 basis points.