

## Stimulus package Tax bonus payments

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Australian Government

## Rate cut likely - but how much?

March 3, 2009 - 9:48AM

The Reserve Bank is likely to deliver home-buyers another boost this afternoon when it announces its decision on interest rates.

**Read about the announcement here - first**  
**Find out what the decision means for you**  
**Read analysis and opinion on the RBA's latest move**  
**ALL FROM 2.30 THIS AFTERNOON**

Most experts are predicting a cut - either a quarter of a percentage point or half a percentage point - when the decision is announced at 2.30 this afternoon.

If the anticipated 25-basis-point cut is announced, and if the banks pass that cut on in full, the average mortgage repayment on a \$350,000, 25-year mortgage will drop \$46 a month, or \$13,761 over the total life of the loan.

If the cut is 50 basis points, the average mortgage repayment on a \$350,000 25-year mortgage will drop \$91 a month, or \$27,306 over the total life of the loan.

The larger cut would take the official cash rate to its lowest-ever level, 2.75%, less than the all-time low monthly average rate of 2.89% seen in January 1960.

The RBA has already slashed interest rates by 400 basis points - or four percentage points - since September. The big four banks passed on 380 points of those cuts to mortgage holders.

Interest rates fell to a 45-year low of 3.25% in February following a 100-basis-point rate cut.

Even though domestic business data is strong, many economists believe deteriorating conditions among Australia's key trading partners will weigh on the domestic economy in future months.

Yesterday, Treasurer Wayne Swan said seven of the nation's top ten trading partners are in recession.

The Australian government has already announced two fiscal stimulus programs, worth a combined \$52 billion, to shield the economy from the effects of a possible recession.

From April, farmers, students and low to middle-income earners are due to receive \$900 cheques as part of a \$12 billion fiscal allocation from the Rudd Government's second \$42 billion stimulus package.

RBA governor Glenn Stevens told a parliamentary hearing in Canberra earlier in February that big rate cuts, fiscal stimulus programs and a weaker Australian dollar would help support domestic demand in 2009.

**BusinessDay's Chris Zappone, with AAP**

*This story was found at: <http://business.smh.com.au/business/rate-cut-likely--but-how-much-20090303-8mog.html>*