
'Fragile' economy helps keep interest rates on hold

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HOMEOWNERS can probably rest easy for another month after the Reserve Bank of Australia left the cash rate unchanged for a fifth straight month after its monthly board meeting.

The central bank left the cash rate at a 49-year low of 3 per cent, as widely expected by economists.

RBA governor Glenn Stevens said the "accommodative setting" of monetary policy was appropriate for the time being.

"The board will continue to adjust monetary policy so as to foster sustainable growth in economic activity and inflation consistent with the target," Mr Stevens said.

The rate decision comes the day before official data is expected to show the economy grew modestly in the June quarter, but building on the slim 0.4 per cent growth record in the three months to March.

Still, some home buyers have already suffered an increase in their standard variable mortgage rate this year.

In June, the Commonwealth Bank of Australia, the country's biggest home lender, independently raised its lending rates by 10 basis points, blaming high funding costs.

The official cash rate has now been at a 49-year low for the past four months.

TD Securities senior strategist Annette Beacher said the Australian economy was still "fairly fragile".

"I think removing the 'emergency' cash rate in the next three months has more risks than not," said Ms Beacher ahead of the RBA decision.