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Volatility brewing offshore should steady rates at home despite CPI rise

Suncorp Bank says interest rates should remain steady when the Reserve Bank meets next week, despite the release of Consumer Price Index (CPI) figures today that showed inflation for the June quarter was above forecasts.

Suncorp Bank Executive General Manager David Marshall said the CPI increase of 0.9 % for June and 3.6% for the annual rate was just outside the RBA's target range, but said CPI was not likely to be the driving factor in the central bank's decision this month.

Mr Marshall said the RBA would be looking closely at the brewing uncertainty overseas, which had already left many economic experts divided on what way the tide would turn on rates in coming months.

"Indicators at home remain strong. Inflation is relatively in check, we have a resurgent mining and energy sector, low unemployment and predictions of strong economic growth toward the end of 2011," he said.

"However, we are still facing a very dynamic market and the RBA will no doubt be watching the volatility in international markets very closely.

"All eyes are currently on the United States and whether Washington can reach an agreement on lifting their debt ceiling by the 2 August deadline.

"While uncertainty continues to shroud European and United States markets, we should feel confident in Australia's resilience to changes overseas.

"Australia has weathered economic events well in the past few years, both overseas and at home."

Mr Marshall said Queensland had experienced a short-term set back after the cyclones and floods, but reconstruction programs and the recovering mining and agricultural sectors was predicted to soon have the State back on its feet.

"Australia's strong banking sector should also provide comfort for Queenslanders," Mr Marshall said.

"Australian banks are stable and are continuing to grow and lend, which is vital for the economy.

"In fact, they are competing very strongly in the mortgage markets and providing very competitive rates irrespective of official interest rate announcements.

"There are some good deals out there for people looking to purchase a home or refinance and I encourage people to shop around on interest rates."



News Release

For more information on home loan products and interest rates go to www.suncorp.com.au where helpful tools such as the Home Loan Comparison Calculator can be found.

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