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FINANCIAL PLANNING – Economic Updates

We remind clients that we provide a full range of financial planning services including investments, savings and retirement plans, life and income protection insurance, superannuation, super pension and Centrelink age pension analysis using our ‘DomaCom Guided Planning System’.

A key business report has identified the recovery in the retail and housing sectors and the lower Australian dollar as highlights for the domestic economy this year.

However, the Business Outlook by Deloitte-Access Economics also says the end of the resource-related construction boom, and caution among the corporate sector and consumers will result in below-trend growth in 2014.

The report predicts the Reserve Bank will not start raising interest rates until next year, and suggests that some Australian banks may even cut their lending rates in the months ahead.

A director at Deloitte Access Economics, Chris Richardson, says lower global wholesale funding costs could see some Australian banks reward mortgage customers with an independent rate cut.

"It's not a done deal, but it's the wildcard to watch out for on the interest rate front in 2014," he said.

Mr Richardson says the possibility of independent rate cuts is made possible by the roll-over of some expensive debt taken on by the banks at the height of the financial crisis, which can now be replaced at much lower rates.

"The next couple of months will actually see a number of those loans that cost a fortune finally falling due and getting rolled over and the banks can now borrow more cheaply than they used to," he explained.

"That raises the potential that one of the big banks will blink sometime in the next three or four months - that they might cut mortgage rates even if the Reserve Bank does nothing."

The Deloitte-Access Economics report is also forecasting the Australian dollar to keep falling.

Its latest Business Outlook says as stimulus measures are scaled back across the world, the Australian dollar will continue to decline and a return to parity with the greenback is off the cards.

Mr Richardson says he expects, by 2017, the Australian dollar will be buying about 80 US cents.

"It was never going to permanently stay above parity with the US dollar," he said.

"That was the result of some really unusual things and one of those things - the fact that the central bank in the US and indeed others around the world have been printing money like crazy - that's now starting to slow. So some of the things that had the Australian dollar very high, they're no longer true."

The report also suggests unemployment could edge just above 6 per cent.

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