

### Reserve Bank has done the right thing by working families by keeping rates on hold, say unions

The Reserve Bank has done the right thing by keeping interest rates on hold, with the recent sequence of rate hikes putting extra pressure on household budgets, say unions.

Commenting on today's decision by the RBA board to keep the official rate at 3.75%, ACTU President Sharan Burrow welcomed the pause following three rate rises since October which have added \$130 to the monthly costs of servicing an average \$280,000 home loan.

Ms Burrow said many families were struggling with these increased costs as well as cuts to their income through the loss of working hours or unemployment during the economic slowdown.

"The Bank has acted with appropriate caution by pausing to take stock of the impact of higher loan repayment costs on working families and to make sure that the recovery is secure before placing any more financial pressure on households," Ms Burrow said.

"The recent rapid sequence of rate rises has already pushed more heavily-indebted families into mortgage stress.

"The international economic situation is still worrying. In Europe and North America, the prospects of a double-dip recession are very real.

"This would have severe implications for the Australian recovery.

"Data such as this week's dip in job advertisements for January show that the recovery at home is still at an early stage.

"While the Federal Government's fiscal stimulus has been very successful in cushioning the effects of the GFC on the Australian economy, it is important that it continues as planned.

"The Liberal Party's push to wind back the stimulus is reckless and a threat to jobs.

"The fiscal stimulus has already peaked and is now detracting from growth [see attached chart], and restraint needs to be exercised in tightening monetary policy too rapidly at the same time."

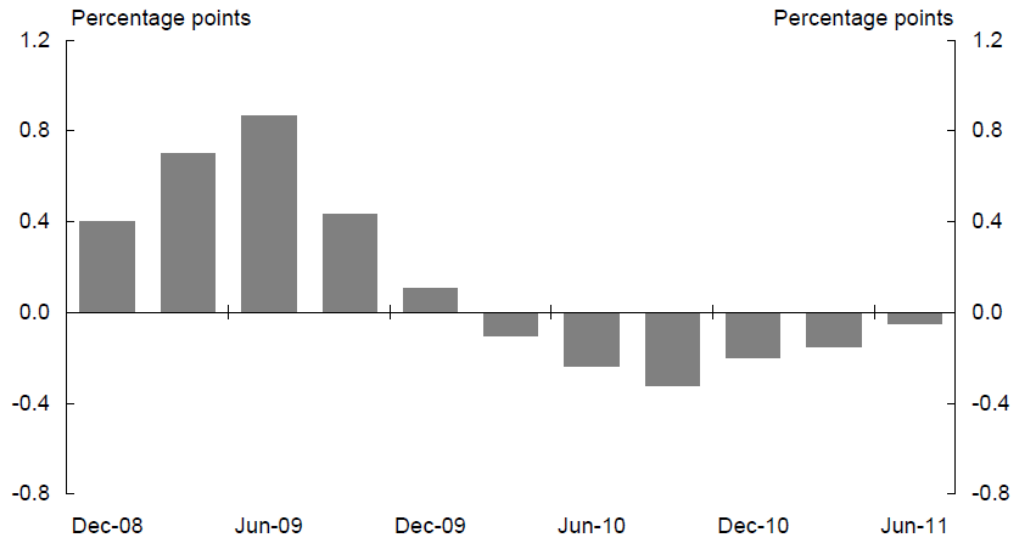
Ms Burrow said the impact of higher living costs as shown in last week's inflation data would be factored into the ACTU's national minimum wage case submission next month.

The ACTU claim will seek to catch up on inflation after last year's punitive wage freeze for more than a million workers by the now-defunct Fair Pay Commission.

"Low-paid workers haven't had a wage rise since September 2008," Ms Burrow said.

"They've sacrificed more than their fair share, and they deserve a decent pay rise this year."

## Contribution of fiscal stimulus to GDP growth



Source: *Mid-year Economic and Fiscal Outlook, 2009-10*