

## Interest rates now forecast to slide

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HOMEOWNERS could get a reprieve from the soaring cost of living with interest rates predicted to fall before the end of the year as consumer confidence and retail spending falter.

Westpac yesterday forecast a 1 per cent fall in interest rates before the end of next year, starting with a 25 basis point cut in December.

A one per cent drop in rates would cut \$270 a month from a \$400,000 mortgage, if the full reduction were passed on by lenders.

**“The economy is pretty fragile.**

—SAVANTH SEBASTIAN

CommSec economist Savanth Sebastian said futures markets had shown a dramatic turnaround from predictions of rate rises to an 80 per cent chance of a cut by the end of next year.

“The economy is pretty fragile from a consumer confidence sense,” he said.

AMP economist Shane Oliver said the state of the consumer and business confidence had opened the way for a rate cut with slowdowns in Europe and the US leaving China Australia's one “key bright spot.”

Westpac said: “Interest rates are too high in Australia given the state of the non-mining sectors of the domestic economy and a downward adjustment is required to avert damaging contraction.”