

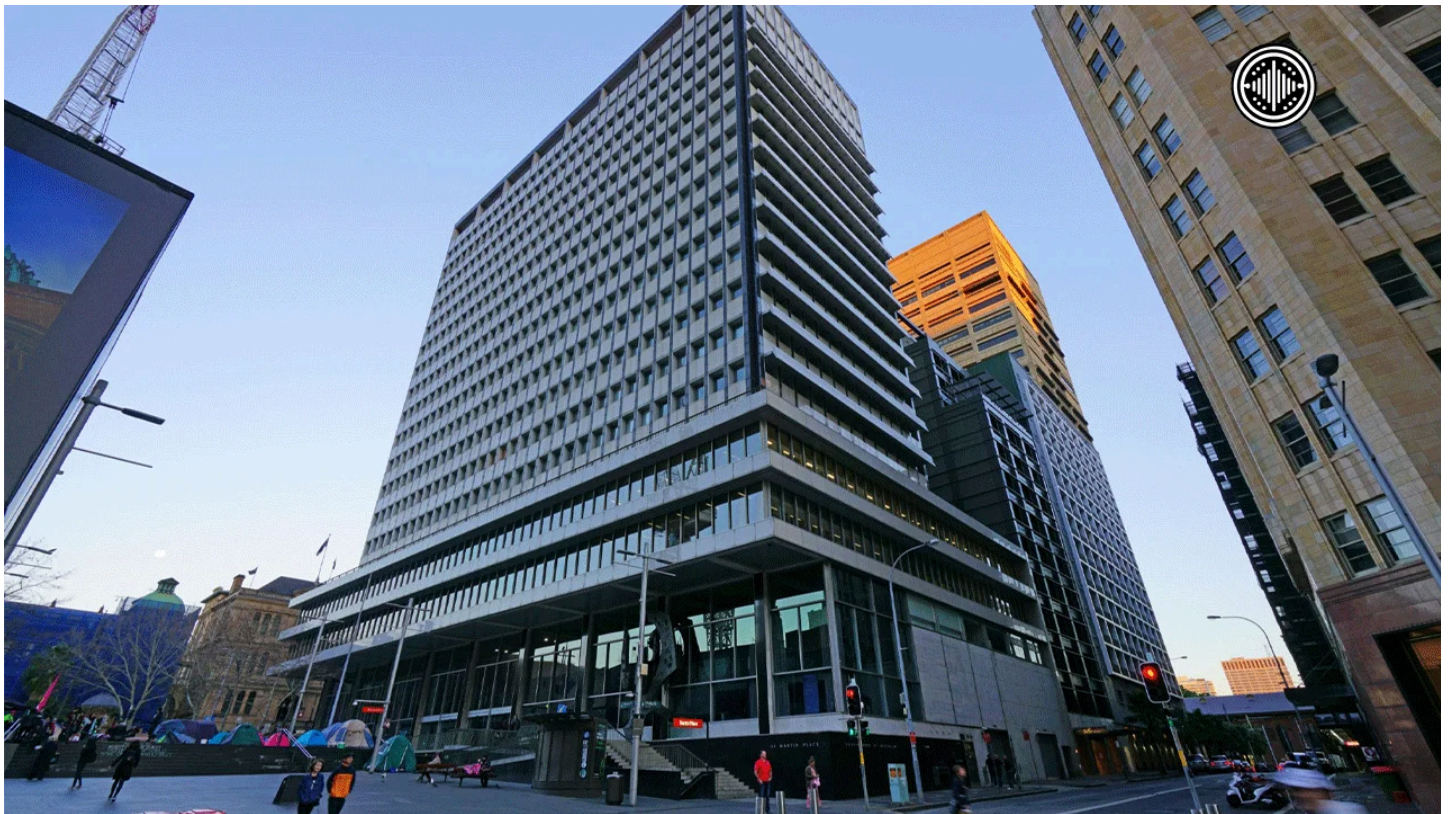
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Westpac: RBA Rate Pause Yields No Economic Gains

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Westpac economists argue that the Reserve Bank of Australia's (RBA) recent decision to pause interest rate cuts offers no tangible economic benefits, leaving households and businesses in limbo. This article examines Westpac's critique, the broader economic context, and concerns over the Albanese government's handling of monetary policy challenges.

In a 19 July 2025 Australian Broker News report, Westpac Chief Economist Luci Ellis described the RBA's choice to hold the cash rate

at 3.85 per cent as driven more by caution than by current data, offering “no real economic benefit.” Ellis said the pause was an effort to preserve the RBA’s independence, stating, “The last thing a central bank wants is to be seen as not independent.” She suggested the RBA’s delay until August for further cuts reflects a reluctance to respond to market pressures, despite inflation easing to around 2.1 per cent in May, within the RBA’s 2 to 3 per cent target band, according to Australian Bureau of Statistics (ABS) data. This hesitation prolongs financial strain for mortgage holders, with no immediate relief for consumer spending, which remains subdued according to Westpac’s Card Tracker.

The RBA’s cautious approach ignores broader economic signals. Westpac’s updated forecasts, outlined in a 12 June 2025 Canstar report, predict interest rate cuts in August and November, with two further reductions in 2026, potentially lowering the cash rate to about 2.85 per cent. Despite this, the pause frustrates households facing high borrowing costs, while the NAB Business Survey indicates business conditions are at their weakest since the pandemic. Ellis warned of a potential “oh crikey!” moment if economic growth weakens further, highlighting the RBA’s outdated assumption of a tight labour market, with unemployment steady at 4.1 per cent in May, according to ABS figures. The Albanese government’s reluctance to implement stronger fiscal stimulus exacerbates these problems, leaving Australia vulnerable to global uncertainties, including ongoing risks from U.S. tariffs.

Critics argue the Labor government’s passive fiscal stance undermines confidence. With China’s economic slowdown and escalating trade tensions, as noted in Westpac’s 20 May 2025 analysis, decisive government action is required. The RBA’s pause, rather than stabilising

the economy, risks restraining growth and underscores the need for firmer leadership to manage Australia's economic challenges.