

Disasters weaken Australian economy, according to Westpac/Melbourne Institute Leading Index

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<http://www.news.com.au/money/interest-rates/disasters-weaken-australian-economic-growth-according-to-westpacmelbourne-institute-leading-index/story-e6frfmn0-1226079808549>



The impact of Australia's summer of natural disasters is becoming more apparent, according to the Westpac/Melbourne Institute Leading Index *Source: AP*

- Economic growth weak - report
- Impact of disasters more apparent
- "Rates on hold for months"
- [RBA: Traders predict interest rate cut](#)

THE outlook for economic growth in the next three to nine months is still weak as the economy still feels the economic impact of the floods, a report has found.

The Westpac/Melbourne Institute Leading Index, which indicates the likely pace of economic activity three to nine months into the future, was 2.7 per cent in April, below its long term trend of 3.1 per cent.

Westpac senior economist Matthew Hassan said the economic impact of Australia's summer natural disasters is becoming more apparent.

"After previously running at just over five per cent, the six-month growth rate in the index has been marked down to just 2.7 per cent," Mr Hassan said.

"That is marginally below the long-term trend rate, indicating sub-par growth, but not overly weak."

Mr Hassan said there are signs that the worst of the disaster-related slowdown has passed because growth is above that recorded in February.

It was unlikely that the Reserve Bank of Australia (RBA) would raise the cash rate from 4.75 per cent at its July 5 board meeting.

The RBA retains a tightening bias, but does not yet see a clear case for a move now," he said.

"With today's Leading index highlighting both the softness of growth momentum in the first half and difficulties in judging momentum due to one-off weather effects, it's not surprising the bank has chosen to stay in watch and wait mode."

Mr Hassan said he doesn't expect a rate hike until November at the earliest.

The annualised coincident index, which shows what conditions are at present, was 0.3 per cent, well below its long-term trend of 2.9 per cent, the report said.

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