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Investors expected rate cut, but they favour infrastructure spending

Most Australian investors expected the Reserve Bank to cut official interest rates today, but most favour infrastructure spending to help manage the Australian economy, a survey has found.

A survey of 400 Australian Investors' Association members has found spending on infrastructure projects was the most popular strategy (91%) needed to guide the economy through 2009, followed by interest rate cuts (64%), tax cuts (59%), deficit financing (46%) and cuts to government spending (27%).

AIA president Jolyon Forsyth said the survey results showed investors wanted a multi-pronged response to the impacts of the global financial crisis on the Australian economy.

"Infrastructure spending is critical to stimulating the economy. Today Prime Minister Kevin Rudd unveiled a \$42 billion stimulus package with additional infrastructure spending for roads, schools and public housing and additional tax measures," Mr Forsyth said.

"It's important for governments to ensure their infrastructure programs are delivered and fast-tracked where possible. Government needs to encourage private sector projects and not tie them up in red tape."

Mr Forsyth said more than 70% of AIA members surveyed expected the Reserve Bank to cut rates at its first meeting for 2009. The RBA has cut official interest rates by 1% to 3.25%.

Mr Forsyth said monetary policy was a blunt instrument and, while further cuts to official interest rates would be welcomed by mortgagees and home buyers, it hurts investors and retirees who have part of their capital invested in cash.

"Investors want a co-ordinated and comprehensive approach to this crisis. Government does have an important role to play stimulating the economy such as spending on infrastructure projects and tax cuts," he said.