

## RBA Still Sidelined

The Reserve Bank of Australia (RBA) continued to leave the official cash rate on hold at 1.50% as widely expected at its October meeting.

There were however, some subtle shifts towards more hawkish commentary, in spite of ongoing global trade tensions.

The RBA continued to acknowledge that the “ongoing uncertainty regarding the global outlook stems from the direction of international trade policy in the United States”, unchanged from commentary in September. However, there was a hint of higher global inflation risks. The RBA notes that “globally inflation remains low”, but pointed to an increase due to higher oil prices and “some lift in wage growth”. Moreover, “a further pick-up in inflation is expected given the tight labour markets, and in the United States, the sizeable fiscal stimulus”.

In regards to the domestic economy, the RBA noted the strong GDP outcome GDP growth at 3.4% in the year to the June quarter. Its assessment of the domestic economy was broadly unchanged, and the RBA does not hint at any shift to its outlook, maintaining that “the central forecast remains for growth to average a bit above 3 per cent in 2018 and 2019.”

On the labour market, the RBA continues to be optimistic, and notes that the unemployment rate “is trending lower”. It suggests some further confidence that spare capacity in the labour market is being reduced, and that the economy was moving towards full-employment.

The RBA remains unperturbed by developments in regards to the housing market. Interestingly, the RBA highlights that growth in credit to owner-occupier housing “remains robust”, while demand by investors had slowed. The RBA also notes that “credit conditions are tighter than they have been for some time, although mortgage rates remain low and there is strong competition for borrowers of high credit quality.”

The underlying message from the RBA however, was unchanged. The RBA continued to reiterate that “progress” was being made in achieving its employment and inflation goals but that this “progress is likely to gradual”, suggesting that official interest rates are unlikely to move anytime soon.

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