

Minutes of the March RBA Board Meeting

Steady As She Goes

- The minutes from the RBA's March meeting provided more confirmation that the RBA is satisfied with current interest rate settings. The RBA again stated that "if the economy was to evolve broadly as expected, then the most prudent course was likely to be a period of stability in interest rates".
- These expectations include a sharp decline in mining investment, a gradual improvement in non-mining investment and an overall improvement in economic conditions. Inflation was expected to be consistent with the target. Developments over the month to the meeting had continued to support this assessment.
- The minutes today leave us comfortable with our long-held view that the RBA will leave rates for an extended time before starting to normalising policy later this year.

The minutes from the RBA's March meeting provided more confirmation that the RBA is satisfied with current interest rate settings. In the final statement, the RBA again stated "if the economy was to evolve broadly as expected, then the most prudent course was likely to be a period of stability in interest rates".

A sharp decline in mining investment in 2014-15 is one thing that the RBA is expecting. In today's minutes, the RBA did not seem too perturbed by the implied decline in the latest capex survey, as it "had already been embodied in the Bank's forecasts for some time". The RBA also seemed encouraged by the "small improvement in prospect for mining business investment" which was implied by the survey.

On global conditions, growth of Australia's trading partners was "close to its average pace of the past decade". On China, the RBA is rightly cautious in reading into the weak Chinese data recently due to the Chinese New Year Holiday. The RBA focused on the more optimistic longer-run trends which suggest that "urbanisation was expected to continue in China for some time".

The minutes today continue to leave us comfortable with our long-held view that the RBA will leave rates for an extended time before starting to normalising policy later this year.

Janu Chan, Economist
Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda

dedab@stgeorge.com.au

(02) 8254 8322

Senior Economist

Josephine Horton

hortonj@stgeorge.com.au

(02) 8253 6696

Economist

Janu Chan

chanj@stgeorge.com.au

(02) 8253 0898

State Manager

Hans Kunnen

kunnenh@stgeorge.com.au

(02) 8254 8322

State Manager

Mark Goldsmith

goldsmithm@banksa.com.au

(08) 8424 5597

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