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Minutes of the September RBA Board Meeting

Concerns Edging Up a Notch?

- **The RBA minutes of the September board meeting maintained its previous guidance of recent times.**
- **The RBA reiterated that "the next move in the cash rate would more likely be an increase than a decrease" with the caveat that "there was not a strong case for a near-term adjustment in monetary policy". We continue to expect that the RBA will leave official interest rates on hold for an extended period.**
- **The RBA however, did highlight some additional risks "associated with uncertainties from abroad and low wage growth".**
- **The RBA noted that there were "significant tensions around global trade policy and that this represented a material risk to the outlook". The commentary surrounding the global economy however was mostly upbeat, noting that GDP growth in most of "Australia's major trading partners" was above trend.**
- **There was some less positive commentary on consumer spending, housing and business investment. However, overall, the domestic outlook also remained positive, particularly with regards to the labour market.**

The RBA minutes of the September board meeting maintained its previous guidance of recent times suggesting that official interest rates are not likely to change for some time. The RBA also continued to reiterate that "the next move in the cash rate would more likely be an increase than a decrease" but that the gradual progress in reaching its employment and inflation goals "there was no strong case for a near-term adjustment in monetary policy".

In its considerations for monetary policy, the RBA however, did highlight some additional risks "associated with uncertainties from abroad and low wage growth".

The RBA noted that there were "significant tensions around global trade policy and that this represented a material risk to the outlook". That said, the commentary surrounding the global economy was mostly upbeat, noting that GDP growth in most of "Australia's major trading partners" were above trend.

In regards to the domestic economy, the RBA remained positive. The board meeting was held just a day prior to the release of June quarter GDP, which revealed economic growth picking up to 3.4%, which was above the RBA's August forecast of 3.0%. The RBA highlighted a risk that GDP could be revised upwards.

Commentary however, on the domestic economy remained mostly positive. There was some more negative commentary on the consumer sector, housing, and the business spending outlook. The

RBA pointed out the weakness in retail spending in July. On capex, the RBA noted the weaker intentions for spending over 2018-19, but the RBA added the point that business conditions had remained "well above average".

More broadly however, the RBA continued to paint a broadly positive picture, particularly with the labour market.

On housing, the RBA makes note of recent increases in mortgage lending rates in response to the increase in funding costs. The RBA states that "these increases would imply a small rise in the average outstanding variable hosing loan rate, unwinding about half of the decline observed in the average housing loan rate over the preceding year".

Implications for Monetary Policy

The RBA is acknowledging recent risks, mostly around international trade policy. Domestically, the RBA has also highlighted low wages growth as a risk. Nonetheless, the RBA is continuing to be quite upbeat, and its guidance remains unchanged.

We remain comfortable in expecting the RBA will unlikely raise interest rates for some time.

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