

Tuesday, 19 June 2018

Minutes of the June RBA Board Meeting

Steady as She Goes

Once again, the RBA minutes of the June board meeting did not suggest any major shift in its assessment of the economy and the outlook for interest rates.

On the domestic economy, the RBA remained mostly upbeat. The meeting was held just one day prior to the release of GDP data, which came in at 3.1% in the year to the March quarter. RBA commentary suggests that this was stronger than it had anticipated.

The RBA board meeting also followed the release of the Federal Budget. The RBA notes the strength in public demand, expecting Infrastructure investment “to continue to support growth for some time”.

The RBA also downplayed recent disappointing outcome in the most capex survey, which the RBA notes “does not provide information on intangible investments or investment in some parts of the service sector, including education and health”. Additionally, the RBA highlights resilience in profits in the non-mining sector, which was “positive for future investment”.

On the labour market, the RBA acknowledged recent softer outcomes, but then pointed out that forward-looking indicators pointed to “employment growth increasing to above-average rates in coming months” and maintained the view there will be a “gradual fall” in the unemployment rate.

On financial markets, the RBA discussed the political risks in the euro area, namely Italy, and instability in some emerging markets. Members noted that measures of sovereign risk had remained below levels recorded in the 2011-12 episode of instability and there had been limited spillovers to other euro area sovereign markets.

Members also discussed developments in emerging markets, noting that problems in a few countries had largely reflected idiosyncratic weaknesses and spillovers to Asia had been limited to date.

On housing lending, the RBA noted approvals to investors and owner-occupiers had declined in recent months. And banks had recently tightened their lending standards, including by collecting more information from loan applicants on living expenses to assess a borrower’s capacity to service a loan based on actual living expenses.

Despite the broadly upbeat tone on the domestic economy, the ongoing spare capacity in the labour market and only gradual increase in wages and inflation continues to suggest that official interest rates are unlikely to move for some time. A lift in global concerns also poses a downside risk to the outlook.

Besa Deda, Chief Economist
Ph: 02-8254-3251

Janu Chan, Senior Economist
Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda
dedab@stgeorge.com.au
(02) 8254 3251

Senior Economist

Josephine Horton
hortonj@stgeorge.com.au
(02) 8253 6696

Senior Economist

Janu Chan
chanj@stgeorge.com.au
(02) 8253 0898

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified. If you no longer wish to
