



Central Banks Weekly November 11th: Previewing RBA minutes, reviewing Banxico

11th November 2022:

RBA MINUTES (TUE): Traders will be looking out for more meat on the bones as to why the RBA opted for a 25bps hike as opposed to 50bps following the latest Aussie CPI metrics. Furthermore, markets will be on the watch for any hints as to whether an additional 25bps will be needed this year given the aforementioned inflation developments. To recap, on November 4th, the RBA lifted its Cash Rate Target by 25bps, taking it to 2.85%, as expected, but against some outside bets for a 50bps increase. The central bank said that the Board remains resolute in its determination to return inflation to target and expects to increase rates further over the period ahead. It also reiterated that the size and timing of future rate adjustments will continue to be determined by the incoming data and the Board's assessment of the outlook for inflation and the labour market. It noted that the central forecast for GDP has been revised down a little, with growth of around 3% expected this year and 1.5% in 2023 and 2024, while inflation is now forecast to peak at around 8% later this year, while the central forecast is for CPI to be around 4.75% over 2023 and a little above 3% in 2024. RBA Governor Lowe said the Board judged it appropriate to raise rates at a lower magnitude, but would return to larger increments if necessary. He also suggested they will hold the rate if the situation requires, and that rates were not on a pre-set path. Following the decision, analysts at ING said, "it looks more probable now that the RBA will simply stick to a 25bps rate increase pace until it believes it has taken rates high enough."

BANXICO REVIEW: Mexico's central bank lifted rates by 75bps, taking the overnight rate to 10.0%. Analysts note, however, that the meeting statement saw the introduction of some dovish language. The central bank downgraded its year-ahead inflation view for the first time since the tightening cycle began. "Nevertheless, with core inflation still rising and way beyond the target range – along with the continuation of the Fed's tightening cycle – we do not expect the Bank of Mexico to end its own tightening phase any time soon," SocGen's analysts said; they expect the central bank to lift rates by 50bps in December, and retain the option for further rate hikes next year.

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