



Preview: RBA Rate Decision Scheduled for Tuesday 7th March 2023 at 03:30GMT/22:30EST

- The RBA is expected to raise the Cash Rate Target by 25bps to 3.60%, as forecast by 27/28 economists surveyed by Reuters, while money markets price in a 74% probability for an increase.
- The central bank signalled further hikes at the last meeting which spurred an upward adjustment in estimates for the peak rate to 3.85%, while some are calling for rates to reach 4.10%
- Recent data has been soft, but unlikely to prompt the RBA to pause at this meeting.

OVERVIEW: The RBA is expected to continue hiking rates at its meeting on Tuesday, with 27 out of 28 economists surveyed by Reuters forecasting that the central bank will raise the Cash Rate Target by 25bps to 3.60%, while money markets are pricing in around a 74% probability of a 25bps increase and a 26% likelihood that it keeps rates unchanged.

RBA CONTINUED TO SIGNAL FURTHER RATE HIKES AT THE PRIOR MEETING: As a reminder, the central bank increased rates by 25bps to a fresh decade high at the last meeting, which was widely expected as money markets had priced in over a 90% probability of such a move, while attention was on the RBA's commentary which noted that the Board expects further rate increases and is resolute in its determination to return inflation to target. Furthermore, the minutes from that meeting revealed that the Board considered a hike of 25bps or 50bps and a pause was not an option. The signal for more rate increases was the key highlight and prompted economists to raise their terminal rate view to 3.85% from 3.60%, while ANZ has since further increased its peak forecast to 4.10% and CBA now sees hikes in both March and April compared with a previous view for no more rate hikes after the February meeting.

DATA RELEASES HAVE STARTED TO SOFTEN, BUT UNLIKELY TO INFLUENCE THE CENTRAL BANK TO PAUSE: The data from Australia have begun to soften, including the Employment Change which contracted for two consecutive months and the Unemployment Rate rose to 3.7% from 3.5%, while Q4 GDP missed forecasts Q/Q at 0.5% (exp. 0.8%) and although Y/Y GDP matched estimates at 2.7%, this was a notable slowdown in pace from the 5.9% growth rate during the prior quarter. Furthermore, CPI Y/Y in January was softer than expected at 7.4% vs Exp. 8.0% (Prev. 8.4%) which eases some of the hawkish pressure on the RBA and has spurred some cautious optimism from Australian Treasurer Chalmers that inflation may have peaked, although it is too early to declare a softening trend and the data is unlikely to influence the central bank enough to pause given that monthly CPI was still the second highest reading since the series began and as inflation remains very far from the 2-3% target range.

ANNOUNCEMENT: The rate decision is due on Tuesday at 03:30GMT/22:30EST when aside from the decision on rates, in which a 25bps hike is seen as a foregone conclusion, attention will be on the central bank's language if there is any change to the view for further rate increases. Participants will also be eyeing any clues regarding how many more rate hikes can be expected in the current cycle given that a recent Reuters poll showed expectations for the central bank to hike one more time to 3.85% by end-June before pausing.

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