



PREVIEW: RBA Rate Decision is Scheduled for Tuesday 4th April 2023 at 05:30BST/ 00:30EDT

- Economists surveyed by Reuters are near-evenly split between a 25bps hike in the Cash Rate to 3.85% or a pause, while money markets are more decisive via an 85% pause probability.
- The central bank has kept its options open for April and suggested that its actions will be determined by the data, while releases have been mixed, including softer monthly CPI which supports the case for a pause.
- Attention will also be on clues regarding future policy as the current median view is for a pause after this meeting and keeping rates at 3.85% for the rest of the year.

OVERVIEW: The RBA will conduct its policy meeting on Tuesday and there are mixed views on whether it will continue hiking rates or pause, with a Reuters poll showing 14 out of 27 economists forecasting a hike the Cash Rate of 25bps to 3.85% and 13 expecting a pause, while money markets are more decisive and are pricing in an 85% probability for a pause.

PRIOR MEETING & LESS HAWKISH RHETORIC: As a reminder, the RBA raised rates by 25bps at the last meeting in March which was widely expected and the 10th consecutive hike, while it noted that the Board remains resolute in its determination to return inflation to target and expects further tightening of monetary policy will be needed, which was a slight tweak from its previous guidance that the Board expects further increases in interest rates will be needed. The RBA also stated that monthly CPI suggests inflation seems to have peaked and in assessing when and how much further interest rates need to increase, the Board will be paying close attention to developments in the global economy, trends in household spending and the outlook for inflation and the labour market. Rhetoric from the central bank was less hawkish than previous and the minutes noted that the Board agreed to reconsider the case for pausing at the April meeting whereby a pause would allow time to reassess the outlook for the economy, but added that further tightening of monetary policy is likely required to lower inflation.

RBA HAS KEPT OPTIONS OPEN WITH A FOCUS ON DATA, WHILE RECENT GLOBAL BANKING STRESS SUPPORTS THE CASE FOR A PAUSE: RBA Governor Lowe has stated that they are closer to the point where it will be appropriate to pause with the timing to be determined by the data and assessment of the outlook, while he kept options open for the upcoming meeting as he noted that they could pause if that's what the data suggests, but if it suggests to keep going, then they will do that and have a completely open mind at Board meetings. This places greater emphasis on the data, although the latest releases have been mixed as Employment rebounded in February following two months of negative prints and the Unemployment Rate fell to 3.5% vs. Exp. 3.6% (Prev. 3.7%), while monthly CPI in February was softer than expected, at 6.8% vs Exp. 7.1% (Prev. 7.4%) and recent PMI figures have returned to contractionary territory. In addition, the recent turmoil in the banking industry and contagion fears add to the case for a pause and have prompted an adjustment of expectations as Westpac now forecasts the RBA to keep rates unchanged at the upcoming meeting and lowered its peak rate forecast by 25bps to 3.85%.

ANNOUNCEMENT: The policy announcement is scheduled for Tuesday at 05:30BST/00:30EDT where the initial attention will be on the rate decision as economists are near-evenly split between forecasts for a hike and pause. Attention will then turn to the statement for clues on future policy as the current median view among economists polled by Reuters is for rates to then stay at 3.85% for the rest of the year.

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