



# PREVIEW: RBA Rate Decision Scheduled for Tuesday 18th June 2024 at 05:30BST/00:30EDT

- Unanimously forecast to keep the Cash Rate unchanged at 4.35%
- RBA has reiterated the board remains resolute in its determination to return inflation to the target and is not ruling anything in or out.
- Recent rhetoric has stuck to the script and mixed data also supports the case for no adjustments.

**OVERVIEW:** The RBA is expected to keep the Cash Rate unchanged with all 47 economists surveyed by Reuters unanimously forecasting it to remain at 4.35%; for reference, money markets have just an 8% probability of a 25bps cut. Recent rhetoric from the RBA and data out of Australia supports the unanimous call for rates to be maintained.

**PREVIOUS MEETING:** The RBA unsurprisingly kept rates unchanged at 4.35% at the May meeting and reiterated the Board remains resolute in its determination to return inflation to the target and is not ruling anything in or out. Alongside this, it stated that returning inflation to the target within a reasonable timeframe remains the board's highest priority, as well as acknowledged that inflation remains high and is falling more gradually than expected. In terms of the central bank's projections, it raised its inflation forecasts for 2024 but trimmed its expectations for GDP and unemployment, forecasts which assumed that rates will stay at 4.35% until mid-2025 which is nine months longer than previously guided although RBA Governor Bullock noted at the post-meeting press conference to not read too much into the technical assumptions on this. The minutes from that meeting revealed the board considered whether to raise rates but judged the case for steady policy was the stronger one and agreed it was difficult to either rule in or rule out future changes to the Cash Rate. Furthermore, the board expressed limited tolerance for inflation returning to the target later than 2026 and it acknowledged that a rate rise could be appropriate if forecasts proved overly optimistic but noted that risks around the forecasts were judged to be balanced.

**RHETORIC AND DATA SUPPORT THE LIKELIHOOD OF NO ADJUSTMENTS:** The rhetoric since that meeting doesn't suggest much has changed as RBA Governor Bullock has noted the economy is weak which is showing up in consumption and reiterated they are not ruling anything in or out on policy. She also commented that inflation is coming down but only slowly and the board won't hesitate to act on rates if inflation does not come down as expected although she still judges inflation risks as balanced and stated that Q2 inflation data will be important for monetary policy but not the single most important thing. Recent mixed data releases also support the case to remain on hold. GDP for Q1 disappointed with Q/Q expansion at 0.1% vs. Exp. 0.2% (Prev. 0.2%, Rev. 0.3%) and Y/Y growth at 1.1% vs. Exp. 1.2% (Prev. 1.5%, Rev. 1.6%), while Private Capital Expenditure for Q1 topped forecasts at 1.0% vs. Exp. 0.5% (Prev. 0.8%). Furthermore, monthly Weighted CPI for April was firmer-than-expected at 3.60% vs. Exp. 3.40% (Prev. 3.50%) and suggested less scope to loosen policy, while the latest jobs data showed an improvement as Employment Change in May beat estimates with an increase of 39.7k vs. Exp. 30.0k (Prev. 38.5k) which was entirely due to Full-Time jobs and the Unemployment Rate declined to 4.0% from 4.1% despite a slight increase in the participation rate.

**ANNOUNCEMENT:** The announcement is scheduled for Tuesday at 05:30BST/00:30EDT and as no change in rates is widely expected, the attention will turn to the central bank's statement for any clues on the policy path. While nothing ground-breaking is expected participants will be on the lookout for any rhetoric that supports the current majority view among economists surveyed by Reuters for the central bank to maintain the Cash Rate at the current level through to September before delivering a 25bps cut in Q4, while the earliest money markets are fully pricing in the 25bps rate cut is for April next year.

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