



## PREVIEW: RBA announcement on Tuesday 10th December at 03:30GMT/22:30EST

- RBA is unanimously expected to keep rates unchanged at 4.35% in its policy decision on Tuesday.
- All 44 economists polled by Reuters forecasting for the central bank to remain on pause; the current view is for the RBA to cut rates by 25bps in Q2 2025 (prev. view of Q1 in November poll).
- The rhetoric from officials continues to suggest the central bank is keeping its options.

**OVERVIEW:** The RBA is likely to keep rates unchanged at its meeting next week with a recent Reuters poll showing all 44 economists unanimously forecasting for the central bank to remain on pause, while money markets are pricing an 85% for the Cash Rate to be kept at 4.35% and just a 15% likelihood of a 25bps cut. The current view is for the RBA to cut rates by 25bps in Q2 2025 (prev. view of Q1 in November poll).

**PRIOR MEETING:** As a reminder, the central bank opted to keep the Cash Rate unchanged for the 8th consecutive meeting last month which economists had unanimously forecast, while the rhetoric provided little fresh insight as it reiterated that the board will continue to rely upon the data and evolving assessment of risks, as well as noted that inflation remains too high and is not expected to return sustainably to the midpoint of the target until 2026. Furthermore, it stated that policy will need to be sufficiently restrictive until the board is confident that inflation is moving sustainably towards the target range and it repeated that the board is not ruling anything in or out. The post-meeting press conference also provided little in the way of fresh clues as RBA Governor Bullock stated that the last part of bringing inflation down is not easy and rates need to stay restrictive for the time being, while she thinks there are still risks on the upside for inflation but noted they will be ready to act if the economy turns down more than expected. Bullock also noted that they have the right settings at the moment and there were no discussions on specific scenarios for rate changes, as well as stating the current Cash Rate path priced by the market is as good as any. The minutes from the meeting further suggested a lack of urgency to act as it noted the Board is vigilant to upside inflation risks and policy needs to remain restrictive, while it saw no immediate need to change the Cash Rate and would need more than one good quarterly inflation report to justify a rate cut.

**RECENT RHETORIC AND DATA:** The rhetoric from officials since then continues to suggest the central bank is keeping its options open as Governor Bullock stated the RBA will be in a position to consider rate cuts at some point, as long as inflation continues on its gradual slowing path and the Board can respond if inflation falls more quickly than forecast, as well as noted that they do not need inflation to be at the target to cut, but needs to be sure that it is heading there. Recent data saw an elevated core inflation reading for October and stronger Q3 GDP growth, suggesting no rush for the central bank to ease rates.

**HOUSE CALLS:** A couple of the big 4 banks in Australia have adjusted their rate cut calls including ANZ Bank which pushed back its forecast for the first RBA rate cut to May next year from February and now only sees two 25bp cuts vs a prior view of three cuts, while Westpac also now expect the RBA to start cutting rates in May 2025 vs. a prior forecast of February 2025, although money markets have recently shifted to fully pricing a first cut in April after disappointing Australian GDP data for Q3. Elsewhere, ING believes the RBA will move on rates in March 2025 "with a high probability of it getting pushed to the second quarter of next year."

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