

## Australia: RBA leaves rates on hold

The Reserve Bank of Australia gives no hints about policy changes in accompanying statement



Source: Shutterstock

**1.5%** RBA interest rate

As expected

The RBA has left policy rates unchanged at 1.5%, in line with a unanimous consensus expectation. And there was very little change in the accompanying statement from Governor Philip Lowe from the 1 August statement. Gone from the text is a reference to the central forecast for economic growth of around 3%. With 2Q GDP data out on Wednesday, we don't see this as significant, except inasmuch as the RBA probably did not want to front-run the release. We recently revised our forecast for the second quarter to 0.9%QoQ (not far off a 4% annualised rate, so the omission was probably to avoid an unintended steer in a lower direction).

The RBA continues to see low wages growth lingering, but on inflation, the only notable change is how heavily this section of the statement has been cut. The outlook is still for inflation to gradually

pick up, but no additional details are given this time.

On the housing market and household debt, the general sense continues to be that this is an issue for the regulators to deal with, not the RBA with rate policy. The statement continues to point to the very regional fortunes of the housing market, but the continued outpacing of household incomes by household debt. There was almost no change to the commentary on the AUD - though with Governor Lowe speaking at a dinner in Brisbane later, it is possible he uses the opportunity to try to talk the AUD down - more likely, he will steer clear of such a potentially dangerous topic.

Markets still do not see much scope for any change in the policy stance until next year at the earliest. Our house forecast is for no change until 1Q18 - and we are sticking to that for now, though this is far from priced in by futures markets.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.