

Australia's Reserve Bank holds rates at 1.5%

Governor Lowe delivers a statement that is low on excitement, but which contained marginal hints of concern



21 months of inaction, none imminent

No one anticipated any change in the Reserve Bank of Australia's policy rate today, and none came. Few if any would have looked for any hint of change in the accompanying statement. Again, they were rewarded with none.

But for those who are content to focus on minutiae, there was a subtle, almost imperceptible shift of sentiment to a more negative outlook. No, this was not a repeat of the RBNZ's Governor Orr suggestion that there was two-way rate risk. But there were a couple of little niggles that might become bigger niggles over time, and are worth watching.

Reasons to be cautious

The following are the small hints from the statement that things might not be quite as good as they have seemed.

1. One uncertainty regarding the global outlook stems from the direction of international

- trade policy in the United States.
2. There have also been strains in a few emerging market economies, largely for country-specific reasons.
 3. There has been a broad-based appreciation of the US dollar.
 4. In Australia, short-term wholesale interest rates have increased over recent months.
 5. One continuing source of uncertainty is the outlook for household consumption
 6. Australia's terms of trade are...expected to decline over the next few years
 7. Wages growth remains low. This is likely to continue for a while yet
 8. Conditions in the Sydney and Melbourne housing markets have eased, with prices declining in both markets.

It isn't all gloom, and the rest of the statement makes upbeat reading. But taken in isolation, the sum of these comments does amount to a non-negligible total.

This isn't enough to overturn the sense that the next move for the RBA is to tighten, but a few more statements like this developing the themes above further, and there won't be much to choose between the RBA and the RBNZ stance.

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