

## 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.

## 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>.