

## RBA leaves cash rate steady, leaving options open

The Reserve Bank of Australia (RBA) left policy rates unchanged but revised down its 2025 growth forecasts. We don't expect any easing until 1Q25



### The RBA also cut the 2025 GDP growth forecast to 2.3% from 2.5% earlier

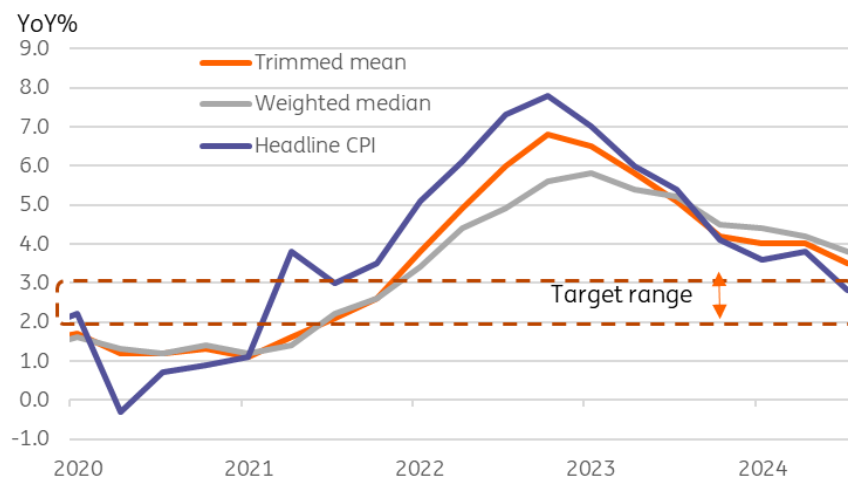
The RBA left the cash rate unchanged at 4.35% in line with our expectations. We think this is consistent with the strong labour market conditions despite headline inflation easing to 2.8% in 3Q2024 and finally falling into the RBA's target band of 2-3%. As per RBA estimates, headline CPI is unlikely to fall sustainably to the midpoint of this range before 2026.

Further, the tone of the monetary policy statement was more balanced with the RBA seeing inflation risks to the upside but with cuts made to the GDP growth forecast for 2025. The RBA also pointed to the surge in government spending growth, especially on aged care and national disability insurance schemes, as one of the key reasons behind higher inflation and stronger job growth.

Going forward, we expect both headline and trimmed mean CPI inflation to ease in 4Q24, however,

the latter is likely to remain above the target band. Economic activity including retail sales remains weak despite the income tax cuts earlier this year. Weaker house prices are likely to add to subdued consumer sentiment. On balance, given considerable uncertainty around the global outlook including the outcome of US elections, we expect the RBA to stay on hold at the next policy meeting in December as well, although with a dovish tilt.

## Core inflation remains above target



Source: ING, CEIC

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