

## Reserve Bank of Australia keeps policy rate steady with a dovish tilt

The RBA left the cash rate unchanged at 4.35% but the policy statement was more dovish as it acknowledged that inflation is moving sustainably towards target, while household consumption growth has been weaker than expected



The RBA left the cash rate unchanged at 4.35% in line with our expectations. The central bank reiterated that underlying inflation remains high and the outlook is too uncertain, however it did indicate that inflation is moderating, and the board is gaining some confidence that inflation is moving sustainably towards the target.

We think the tone of the monetary policy statement was slightly dovish with the RBA highlighting that some of the upside risks to inflation appear to have eased whereas incomes and consumption have recovered a little slower than forecast.

The trimmed mean CPI rate ticked up from 3.2% to 3.5% in October and we expect it to remain above the target band in the near term. As per RBA estimates, headline CPI is unlikely to fall sustainably to the midpoint of this range before 2026. However, the central bank now appears to have greater confidence that wage pressures have eased more than expected and household consumption growth has been weaker than expected.

On balance, we maintain our call for a rate cut in the first quarter of next year, but it remains an "at the earliest" view, and there is certainly scope for this to be pushed back especially if the consumption data improves over the next few months.

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