



# CASH RATE OUTLOOK

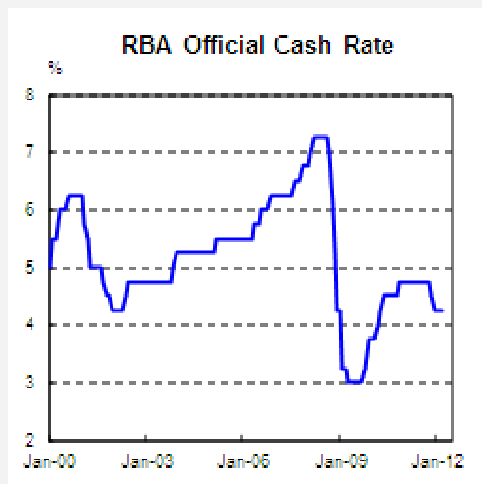
## RBA Board Meeting: Comfortable with the Trend

Tuesday, 6 March 2012

- Our core view remains that one more easing will be required before a period of cash rate stability occurs. Monetary conditions have tightened and the financial troubles in Europe continue to hang over the global economy. One slip in Athens, Brussels or Berlin could change the landscape for the worse.

### Key Points from Today's Statement

- Reserve Bank (RBA) cash rate on hold at 4.25%.
- The RBA makes the point that global growth will be below trend in 2012 but is unlikely to turn into a 'deep downturn'.
- The Governor's statement notes that in recent weeks, liquidity injections have assisted the European financial system and that capital markets are supplying funds to corporations and well-rated banks.
- Domestically, the RBA appears content with its view that both economic growth (in aggregate) and inflation will be close to trend. It has witnessed no material weakening in demand and therefore considers the current official cash rate to be appropriate.
- The statement notes that interest rates for borrowers have risen but also notes they remain close to their medium term average.
- The tone of the Governor's statement was very much in line with last month's statement and with the RBA's most recent full Statement on Monetary Policy.



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### The Detail

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