

Minutes of the March RBA Board Meeting

Steady As She Goes

- The minutes from the RBA's March meeting provided more confirmation that the RBA is satisfied with current interest rate settings. The RBA again stated that "if the economy was to evolve broadly as expected, then the most prudent course was likely to be a period of stability in interest rates".
- These expectations include a sharp decline in mining investment, a gradual improvement in non-mining investment and an overall improvement in economic conditions. Inflation was expected to be consistent with the target. Developments over the month to the meeting had continued to support this assessment.
- The minutes today leave us comfortable with our long-held view that the RBA will leave rates for an extended time before starting to normalising policy later this year.

The minutes from the RBA's March meeting provided more confirmation that the RBA is satisfied with current interest rate settings. In the final statement, the RBA again stated "if the economy was to evolve broadly as expected, then the most prudent course was likely to be a period of stability in interest rates".

A sharp decline in mining investment in 2014-15 is one thing that the RBA is expecting. In today's minutes, the RBA did not seem too perturbed by the implied decline in the latest capex survey, as it "had already been embodied in the Bank's forecasts for some time". The RBA also seemed encouraged by the "small improvement in prospect for mining business investment" which was implied by the survey.

On global conditions, growth of Australia's trading partners was "close to its average pace of the past decade". On China, the RBA is rightly cautious in reading into the weak Chinese data recently due to the Chinese New Year Holiday. The RBA focused on the more optimistic longer-run trends which suggest that "urbanisation was expected to continue in China for some time".

The minutes today continue to leave us comfortable with our long-held view that the RBA will leave rates for an extended time before starting to normalising policy later this year.

Janu Chan, Economist
Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Hans Kunnen

kunnenh@bankofmelbourne.com.au

(02) 8254 8322

Senior Economist

Josephine Horton

hortonj@bankofmelbourne.com.au

(02) 8253 6696

Economist

Janu Chan

chanj@bankofmelbourne.com.au

(02) 8253 0898

The Detail

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.