

Reserve Bank Board Meeting Outcome – October 2011

ECONOMIC ALERT

4 October 2011

KEY POINTS

The RBA Board left the official cash rate at 4.75 per cent at its September 2011 meeting today. Key economic developments that shaped today's decision, as outlined in the RBA's related media release, are as follows:

- Global economic activity is currently expected to grow at its average rate over 2011 and 2012.
- However, the outlook for global economic growth has become more uncertain.
- Recent data suggests a *continuing period* of soft economic conditions in Europe and the United States.
- In Australia, the RBA noted that the pace of near-term growth is unlikely to be as strong as they had previously expected.
- This suggests that the inflation outlook may have improved somewhat, which may provide more scope for the Bank to support domestic demand.

Policy implications

- The continued uncertainty and financial market volatility has resulted in domestic market economists revising their forecasts for future interest rate changes.
- Market economists had generally expected the RBA to raise interest rates towards the end of the year, though the majority of economists now expect interest rates to remain unchanged over the next 3 to 6 months.
- For example, in a survey of market economists published in today's Financial Review, 10 of the 20 economists interviewed expected interest rates to stay at 4.75 per cent over the next 6 months, while 5 economists expected interest rates to fall over this period.