

# DATA SNAPSHOT

## RBA Sticks to the Sidelines

Tuesday, 5 April 2011

The Reserve Bank (RBA) stayed on the sidelines today, leaving the cash rate at 4.75% for the fifth consecutive month. The decision met market expectations.

The accompanying statement was therefore the focus by financial markets. However, the statement was very similar to the previous statement from the RBA's March meeting with a few key updates.

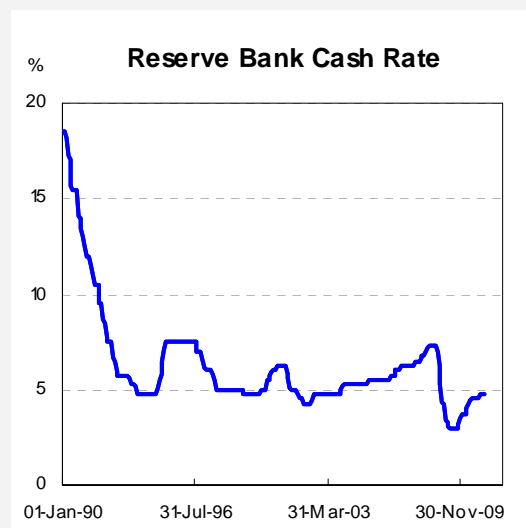
These key updates relate to the Japanese natural disaster, the rise in commodity prices and the natural disasters over the summer in Australia.

On Japan, the RBA judged it would have a limited impact on the broader Asian region. On commodity prices, it notes that it is contributing to consumer price inflation rising in many countries. And on Australia's natural disasters, it notes that the resumption of coal production is taking longer than initially expected.

The key economic themes were repeated from previous Statements and the most notable theme included the strong national income growth coming from the terms of trade.

Overall, today's Statement does not change our view of the outlook for the cash rate. The next move in the cash rate is up and this year. But today's statement does not cause us to believe the RBA is any rush to raise rates.

So the \$64 question remains the timing of the next move from the RBA. We expect the RBA to resume raising rates in August, but we would not rule out an earlier move, especially as there remains some risk that the economy could be recovering strongly around the middle of this year.



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