MNI RBA Preview - April 2025

Meeting Date: Tuesday 1 April 2025

Announcement Time: 14:30 AEDT / 04:30 BST

Link To Statement: https://www.rba.gov.au/monetary-policy/int-rate-decisions/2025/

Contents

MNI POV (Point Of View): April Hold, Watch Pre-May 20 Data

The next RBA decision is on April 1 and it is widely expected to keep rates at 4.10% after sounding very cautious when it cut 25bp on February 18. Governor Bullock warned that one rate cut did not mean another would automatically follow as "upside risks remain" and that market pricing was too optimistic given that it did not return underlying inflation to the 2.5% target band mid-point and remained at 2.7% over the forecast horizon. The Board is likely to reiterate its data dependence, while the economy since February has developed broadly as it expected in the last Statement on Monetary Policy. Importantly, inflation news since February have been consistent with underlying inflation returning sustainably to the band but there were tentative signs that labour costs may be becoming sticky.

Given that unchanged policy is projected, the statement will be scrutinised for any moderation in February's cautious tone or hints that if Q1 underlying CPI prints in line with RBA expectations on April 30, then it is likely to ease again on May 20. RBA appearances since the last meeting and the minutes indicated that a plausible on hold scenario was discussed in February centred around the labour market and the level of restrictiveness and signs that the debate has changed will be watched for.

We expect the statement to acknowledge the economic recovery indicated by stronger-than-expected Q4 GDP and that monthly CPI data are consistent with inflation in the band. We expect concerns over weak productivity growth to be reiterated (Q4 fell 0.1% q/q & -1.2% y/y) and will watch for its assessment of consumer spending given it rose 0.4% q/q in Q4 and the RBA noted signs of a pickup in discretionary spending. But GDP, labour, CPI and budget data don't point to a marked shift in the Board's cautious stance, especially given heightened uncertainty around global growth from US trade policy. We expect the RBA to reiterate that "geopolitical and policy uncertainties are pronounced", especially as its decision is the day before the US announces reciprocal tariffs.

Inflation-related data since the last meeting have generally been consistent with inflation returning sustainably to target, which could mean another rate cut in May depending on the Q1 CPI outcome which will be a key input into the meeting. The trimmed mean will remain the focus as headline continues to be distorted by government electricity rebates (see MNI Inflation Trending Lower), which have now been extended 6 months to year end meaning that underlying price pressures remain the focus for now. The RBA has been concerned about sticky services inflation for some time and while it prefers the quarterly data, February suggested that it moderated at the start of 2025. It has averaged 3.6% y/y in Q1 to date after 4.2% y/y in Q4. It is not an exact fit with quarterly headline services but does signal direction (see MNI Monthly Data Suggest Services Inflation Eased In Q1).

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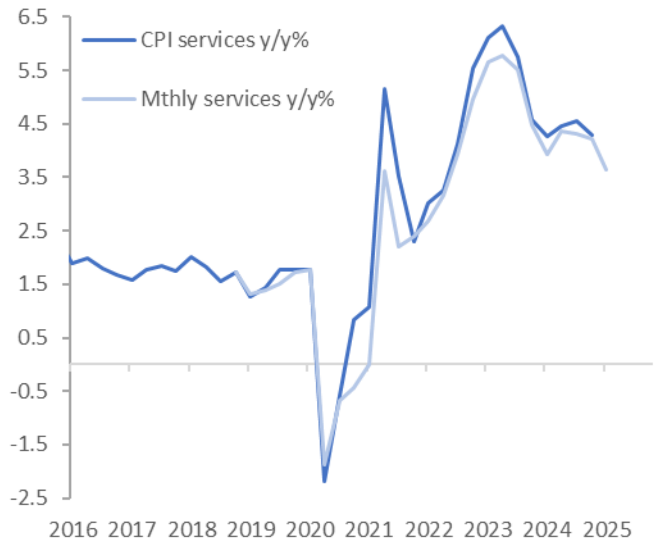
The RBA noted that "wage pressures have eased a little more than expected" but there are early indications that this may have stalled. While Q4 WPI moderated further rising 3.2% y/y down from 3.6% y/y, Q4 average compensation in the national accounts rose 1.1% q/q & 3.2% y/y up from 2.5% y/y, the highest quarterly increase since Q3 2023. This measure includes non-wage compensation such as bonuses and benefits such as superannuation. Q4 unit labour cost growth picked up to 1.8% q/q & 4.7% y/y from 4.5% y/y. Monthly data suggest that there may not have been any further easing in wage growth with SEEK advertised salaries up 3.6% y/y in January & February, in line with Q4, and February NAB business labour costs up 1.5% 3m/3m, also in line with Q4. PMI respondents noted that higher wage costs added to cost inflation in March.

Q4 GDP was stronger than the RBA forecast in February at 1.3% y/y compared to 1.1%, as private, public and overseas demand all made positive contributions to the 0.6% q/q rise tentatively signalling a recovery in growth (see [MNI Strongest Quarterly Growth In Two Years]). Monthly data in Q1 signal that it continued but remained gradual with PMIs further in growth territory, consumer confidence up, household spending solid in January and export growth recovering. The deficit/debt forecasts in the government's FY26 budget were little changed and so fiscal policy is unlikely to drive any material revisions in the RBA's forecasts. With an election on May 3 though, this could change going forward.

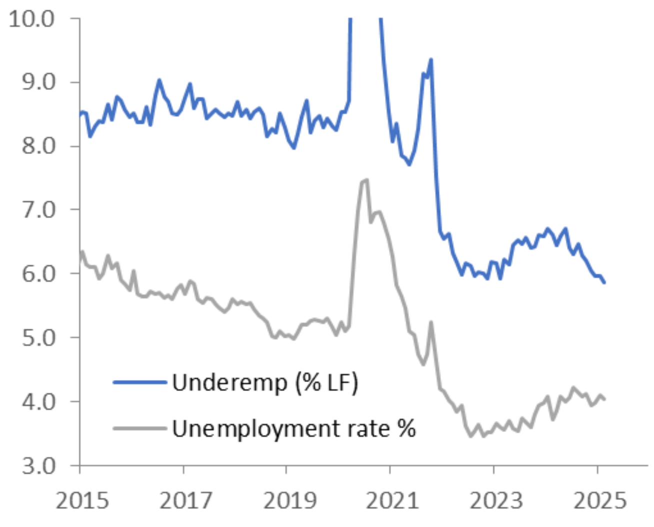
Bullock said that the main reason the Board would have left rates unchanged last meeting was the tightness of the labour market. While February employment fell over 50k, the ABS noted that "fewer older workers" returned to work and it has observed an increase in the number of retirees. The slight drop in the unemployment rate to 4.05% from 4.11%, stable youth unemployment rate and drop in the underemployment rate all signalled that the labour market remained tight and were consistent with the fall in jobs being driven by a special factor (see [MNI Fewer Older Workers Returned To Work]).

Figure 1: Q1 services inflation trending lower



Source: Source: MNI – Market News/Refinitiv/ABS

Figure 2: Underemployment continues falling



Source: MNI – Market News/ABS/Bloomberg

This month's meeting is the first one with the new dual board structure, which means that two new members, Fry-McKibbin from the RBA review & Baker a retail banker, have been added to the policy making board to replace those who shifted to the new operational one. The Board will not only discuss the level of rates this meeting but how to communicate the breakdown of the meeting vote and the content and approach of public appearances made by Board members other than the Governor and Deputy Governor.

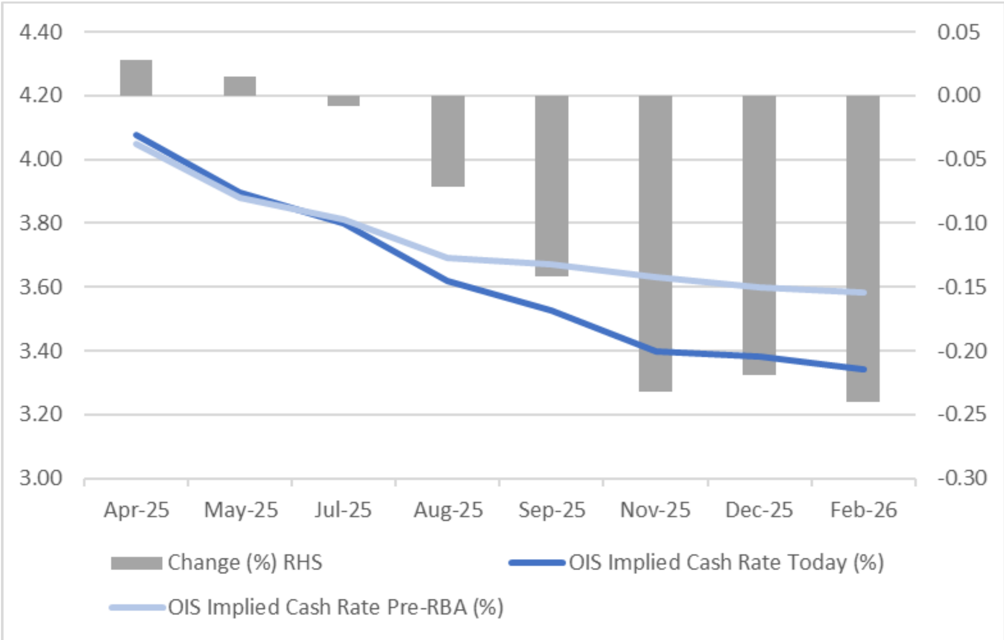
Given that Bullock cautioned against expecting consecutive rate cuts, the Board was "cautious on prospects for further policy easing, minimal market pricing for an April cut, the new Board structure including two new members appointed by the Treasurer and an election on May 3, monetary policy seems highly likely to be left unchanged on April 1. This opens up the prospects for the May 20 meeting, which occurs after Q1 CPI on April 30, Q1 WPI May 14, two sets of jobs data, the election and will include updated RBA projections. There will also be further details on US tariffs which can be included in the outlook. Given heightened global uncertainty and the RBA's data dependence, this information will be very important inputs into May's decision.

Pre-Meeting RBA Dated OIS Pricing

RBA-dated OIS pricing is flat to 8bps softer across meetings at the time of writing, with April 2026 leading.

- While a 25bp rate cut in April is given only a 5% probability, a cumulative 71bps of easing is priced by year-end. The market's reluctance to price in a cut for tomorrow reflects the RBA's cautiousness surrounding February's easing.
- Nevertheless, today's moves still leave pricing mixed compared to February's pre-RBA Decision levels - meetings through May are 2-3bps firmer, while those beyond are 1-24bps softer

Figure 3: RBA-Dated OIS – Today Vs. Pre-RBA (February)



Source: MNI – Market News / Bloomberg

RBA 18 February 2025 Meeting Statement

At its meeting today, the Board decided to lower the cash rate target to 4.10 per cent and the interest rate paid on Exchange Settlement balances to 4 per cent.

Underlying inflation is moderating.

Inflation has fallen substantially since the peak in 2022, as higher interest rates have been working to bring aggregate demand and supply closer towards balance. In the December quarter underlying inflation was 3.2 per cent, which suggests inflationary pressures are easing a little more quickly than expected. There has also been continued subdued growth in private demand and wage pressures have eased. These factors give the Board more confidence that inflation is moving sustainably towards the midpoint of the 2–3 per cent target range.

However, upside risks remain. Some recent labour market data have been unexpectedly strong, suggesting that the labour market may be somewhat tighter than previously thought. The central forecast for underlying inflation, which is based on the cash rate path implied by financial markets, has been revised up a little over 2026. So, while today's policy decision recognises the welcome progress on inflation, the Board remains cautious on prospects for further policy easing.

The outlook remains uncertain.

Growth in output has been weak, private domestic demand is recovering a little more slowly than earlier expected, and there is uncertainty around the extent to which the recovery in household spending in late 2024 will persist. Wage pressures have eased a little more than expected, housing cost inflation is abating, and businesses in some sectors continue to report that it has been hard to pass on cost increases to final prices.

At the same time, a range of indicators suggest that labour market conditions remain tight and, in fact, tightened a little further in late 2024. Measures of labour underutilisation have declined, and business surveys and liaison suggest that availability of labour is still a constraint for a range of employers. Furthermore, productivity growth has not picked up, which implies that growth in unit labour costs remains high.

There are notable uncertainties about the outlook for domestic economic activity and inflation. The central projection is for growth in household consumption to increase as income growth rises. But there is a risk that any pick-up in consumption is slower than expected, resulting in continued subdued output growth and a sharper deterioration in the labour market than currently projected. Alternatively, labour market outcomes may prove stronger than expected, given the signal from a range of leading indicators.

More broadly, there are uncertainties regarding the lags in the effect of monetary policy and how firms' pricing decisions and wages will respond to the slow growth in the economy and weak productivity outcomes while conditions in the labour market remain tight.

Uncertainty about the outlook abroad also remains significant. Geopolitical and policy uncertainties are pronounced and may themselves bear down on activity in many countries if households and firms delay expenditures pending greater clarity on the outlook. Most central banks have been easing monetary policy as they become more confident that inflation is moving sustainably back towards their respective targets. But market expectations for further easing have moderated somewhat in recent months, particularly in the United States.

Sustainably returning inflation to target is the priority.

Sustainably returning inflation to target within a reasonable timeframe remains the Board's highest priority. This is consistent with the RBA's mandate for price stability and full employment. To date, longer term inflation expectations have been consistent with the inflation target and it is important that this remains the case.

The Board's assessment is that monetary policy has been restrictive and will remain so after this reduction in the cash rate. Some of the upside risks to inflation appear to have eased and there are signs that disinflation might be occurring a little more quickly than earlier expected. There are nevertheless risks on both sides.

The forecasts published today suggest that, if monetary policy is eased too much too soon, disinflation could stall, and inflation would settle above the midpoint of the target range. In removing a little of the policy restrictiveness in its decision today, the Board acknowledges that progress has been made but is cautious about the outlook.

The Board will continue to rely upon the data and the evolving assessment of risks to guide its decisions. In doing so, it will pay close attention to developments in the global economy and financial markets, trends in domestic demand, and the outlook for inflation and the labour market. The Board remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome.

MNI RBA Watch: Board To Hold As Election Looms

By Daniel O'Leary

MELBOURNE - The Reserve Bank of Australia's new monetary policy board is set to hold the cash rate at 4.1% when it meets over March 31-April 1, and, with a federal election called for May 3, will avoid significant changes to its strategy or communications.

While Governor Michele Bullock has stressed additional cuts are unlikely in the near term, falling underling inflation, a weaker labour market and a slowing economy will make cuts at the May and August meetings more likely. Updated labour market and Q1 inflation data, plus greater clarity on the impact of U.S. trade policies, will add weight to arguments for additional easing over the next six months.

Markets have priced in only a 7.4% chance of a cut next week but have given the May 20 meeting a 64% probability of a 25bp reduction, with the Aug 12 meeting attracting similar odds. Traders currently expect the cash rate to finish 2025 at 3.45%.

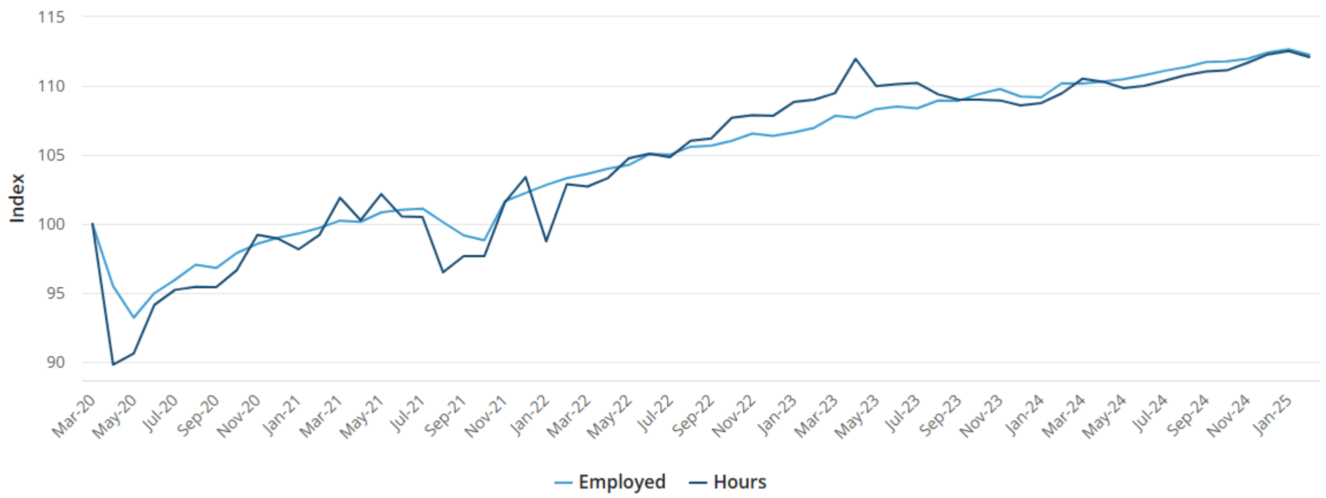
Tuesday's decision marks the initial test for the newly appointed policy-setting board and follows the RBA's 25-basis-point rate cut in February – the first of this cycle. (See MNI RBA WATCH: Board Delivers Hawkish 25BP Cut)

WEAKER DATA

The labour market showed signs of weakness over February with employment falling by 52,800 jobs, versus expectations for 30,000 roles to be created, while the unemployment rate held steady at 4.1%, data from the Australian Bureau of Statistics showed.

Seasonally adjusted employment and hours worked, indexed to March 2020

Graph Table Download



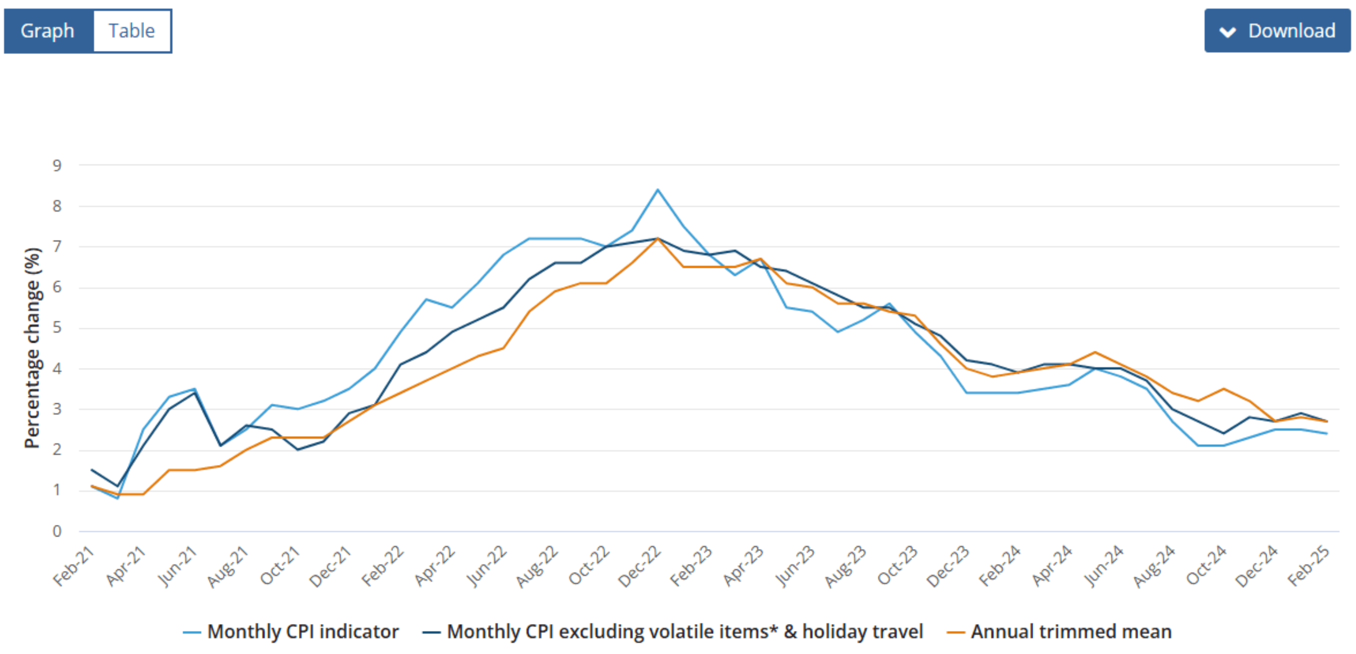
Source: Labour Force, Australia Tables 1 and 19

The RBA expects unemployment to peak at 4.2% by Q2, and has forecast the wage price index to rise by 3.4% over the same period, compared with recent Treasury forecasts of 3% over the 2025 financial year. (See MNI INTERVIEW: RBA Overstates Wages, Two Cuts Incoming - Fabo)

Wage growth strength has been a sticking point for the Reserve but weakness could prompt it to ease more quickly.

More importantly, trimmed mean inflation, the Bank's preferred measure, has continued to moderate, with the monthly indicator dropping an additional 10bp over February to 2.7%.

All groups monthly CPI indicator, Australia, annual movement (%)



*Volatile items are Fruit and vegetables and Automotive fuel

The ABS will update Q1 WPI on May 14 and publish Q1 CPI data on April 30.

NEW BOARD

Next week's meeting will feature two new board members, seasoned macro economist Renee Fry-McKibbin and former retail banker Marnie Baker.

Following Tuesday's decision, Bullock is also likely to detail how the new board will communicate with the public, following discussions among members aimed at thrashing out an agreed strategy.

Transparency was a major feature of 2023's RBA Reforms, but recent comments from senior leadership has suggested the Bank may restrain board members from sharing their opinions on monetary policy publicly.

As a lead author of the reforms, Fry-McKibbin is likely to advocate for rules that align with the original recommendations.

Sell-Side Analyst Views

ANZ (unch): "The first meeting of the new RBA Monetary Policy Board, which features two new members, should pass with no change to the cash rate. As a result, the focus will be on the post-meeting statement and press conference from the Governor.

- Overall, we think the tone and language of the statement will not pre-commit the Board to a May interest rate cut. Concluding in a similar way to February's "the Board acknowledges that progress has been made but is cautious about the outlook" could be one way to do that. While likely to again note that "the Board has confidence that inflation is moving sustainably towards the midpoint of the 2-3 per cent target range", we also expect the statement will continue to describe the labour market as "tight".
- The 0.6% q/q increase in Q4 2024 GDP (released after the February Board meeting) should give the Board some comfort that demand is recovering (comfort that was lacking after the Q3 2024 GDP release). It is likely that the lack of 'headline' productivity growth will also rate a mention in the statement. The weak trend in headline productivity will be an upside inflation risk in the RBA's framework and hence enabling the statement to include risks on both sides.
- Of interest will be how the statement describes the global environment, specifically the uncertainties associated with US trade policy and geopolitical instability. The February post-meeting statement did not dwell too heavily on these matters, although we expect more discussion of them this meeting which could give that element of the statement a more dovish tinge.
- We didn't see anything in the Federal Budget that caused us to change our view on the RBA (one more rate cut in August)."

AMP Capital (unch): "The Reserve Bank of Australia will meet Tuesday and this will be the first meeting of the RBA's new Monetary Policy Board. Remember that the Board has been split into a governance board and a monetary policy board, who set interest rates. Despite cutting the cash rate from 4.35% to 4.1% in February, the post-meeting commentary, comments in the Statement on Monetary Policy which updated the RBA's forecasts and speeches from RBA officials sounded hawkish, implying that further rate cuts are not necessarily on the horizon. Australian economic data since the last RBA meeting has mostly been positive, with better consumer confidence readings, a flat unemployment rate, an improvement in the PMI and more good news on inflation. Financial markets still have 2.5 rate cuts priced in by December which is fair. We expect a 0.25% rate cut at the May and August meetings."

Bank New York (unch): "No change expected by the RBA and now with the election called, policy will need to tread a bit more cautiously. Given the cost-of-living crisis is a core part of the electoral campaign for parties in the country, evidently inflation expectations remain elevated, and the RBA will need to maintain its current stance for now to manage such risks. Annualized CPI is now at 2.7%y/y on a trimmed mean basis, which has generated a small buffer for real rates. AUD valuations may adjust higher accordingly."

CIBC (unch): "We and consensus expect the RBA to leave the cash rate unchanged at 4.10% on April 1st. On forward guidance, we expect a repeat of the February language that "upside risks remain," and for the statement to once again warn against overly-rapid easing. The February statement noted that "if monetary policy is eased too much too soon, disinflation could stall, and inflation would settle above the midpoint of the target range."

- That said, RBA Governor Bullock could signal a mild dovish pivot ahead of the May RBA meeting. At the February press conference, Bullock noted that "this week's cut doesn't imply further cuts are coming," and that the market was "overly confident" on the pace of easing. We expect her pushback to be less forceful next week, given progress on CPI."
- "Even under that mild dovish pivot scenario, however, we still think that Bullock will manage expectations regarding the speed of the cutting cycle in H2 2025. Our base case is that the RBA will cut rates again at the May meeting. We also think that cuts in August and November are likely, but it is too soon for Governor Bullock to signal moves in H2.
- Recent shifts in fiscal and trade outlooks also call for a "wait and see" approach for the April 1st RBA meeting. This week's budget announcement was mildly more expansionary than expected, with surprise tax reduction resulting in a higher-than-expect FY2026 deficit. Trade uncertainty also persists ahead of US

President Trump's "Liberation Day" reciprocal tariffs. The RBA will likely argue that patience is needed to see how these changes impact Australian CPI momentum."

CBA (unch): "We expect the RBA Board to leave the cash rate unchanged next week at 4.10%. The recent run of domestic data has on balance been a little softer than the RBA forecasts imply. But we don't consider the totality of the data as sufficiently soft that the Board will make the decision to cut the cash rate in April.

- RBA officials have retained a modestly hawkish narrative since the February decision to commence normalising the cash rate with a 25bp rate cut. As such, back-to-back rate cuts seem unlikely as it would signal too large a shift in the Board's view on the economy in a short space of time.
- Notwithstanding, we expect an on-hold decision to be accompanied by a more dovish stance. And we expect a message that indicates if the Q1 25 trimmed mean CPI plays ball then a May interest rate cut will be firmly on the table. The February monthly CPI indicator has lifted our conviction that the Q1 25 trimmed mean CPI will print below the RBA's implied profile (CBA forecast 0.6%/qtr vs the RBA's 0.7%/qtr forecast). We believe a Q1 25 trimmed mean outcome below the RBA's 0.7%/qtr forecast means a 25bp rate cut in May is a done deal.
- The big decline in employment in February meant the jobs report was 'soft'. But a sharp drop in the participation rate left the unemployment rate flat at 4.1%."
- "In our view the 2025/26 Federal Budget did not change the near-term outlook for inflation. And the RBA will not shift its thinking on the likely near-term path of the Australian economy as a result.
- Geopolitical and policy uncertainty is heightened. And we believe that will support a more dovish message from the RBA in April that accompanies the expected on-hold decision.
- The April Board meeting is the first meeting of the new Monetary Policy Board; two new members have been appointed but the total number of Board members remains at 9. Some form of published votes is expected to occur under the new Board, although it may not happen at the April Board meeting and would therefore occur further down the track."

Goldman Sachs (unch): "From our perspective, we think an April cut is well-warranted and underpriced by financial markets given the encouraging macro backdrop. But given an increasingly uncertain political and fiscal environment ahead of the 3 May election, as well as upcoming announcements on global trade policy and data on quarterly inflation, we recently revised our base case to forecast a hold in April at 4.10% versus a 25bp cut previously.

- In terms of the forward guidance, we expect the accompanying statement to remain broadly unchanged from February and continue to emphasise data dependence. That said, we expect it to remove the paragraph stating "the forecasts published today suggest that, if monetary policy is eased too much too soon, disinflation could stall, and inflation would settle above the midpoint of the target range."
- We also expect the Governor Bullock to sound relatively balanced in the post-meeting press conference and open the door to a May cut if the 1Q2025 CPI report confirm positive news on market services and housing inflation.
- Further out, we expect the easing cycle to recommence in May with back-to-back cuts in July and August. Our base case is that a softer-than-expected CPI report leads to downward revisions to the RBA's inflation and wage forecasts in May's Statement on Monetary Policy, which in turn provides the Board with enough confidence to continue normalising monetary policy settings."

HSBC (unch): "We expect the RBA to be firmly on hold on 1 April. The key domestic macro-economic data since the RBA's February meeting has been broadly in line with its latest forecasts. For instance, the unemployment rate has remained low, at 4.1% in February, the monthly trimmed mean CPI indicator printed at 2.7% y-o-y in February, and GDP growth accelerated in Q4 as the economy entered a growth upswing. However, while the domestic developments have been clear, the global backdrop poses large risk and considerable uncertainty. In addition, since the last RBA board meeting, the government has delivered its budget, which has been expansionary ahead of a Federal election that is set to occur in May."

ING (unch): "We expect the Reserve Bank of Australia to leave the cash rate unchanged on 1 April. Despite a weaker-than-expected consumer price index (CPI) reading for February, we estimate both the headline and trimmed CPI for the first quarter edged higher on a quarter-on-quarter basis. Still, elevated inflation readings and tariff risks will likely deter the RBA from delivering back-to-back rate cuts."

JP Morgan (unch): "We expect the Reserve Bank of Australia (RBA) to hold the cash rate target at 4.1% at its March 31 - April 1 meeting, in line with consensus and market pricing. The statement and press conference are likely to suggest a gradual approach to easing. We continue to hold the view that the next rate cut will most likely be at the May meeting."

- "Our long-held view is that the RBA's easing cycle will be tethered to the quarterly inflation data. We expect the accompanying commentary to acknowledge recent progress in the monthly CPI indicator, particularly on the housing front. Residential rents are now tracking below the 2024 average, and new dwelling purchase costs have declined in the last two prints.
- In general, we expect the statement and press conference to be fairly non-committal and emphasize present uncertainty is elevated, particularly given the meeting is just before the Trump Administration's tariff announcement."

Natixis (unch): "The Reserve Bank of Australia (RBA) is expected remain vigilant in its April meeting given the still stubborn inflation data while the economy decelerates pushing for more fiscal support."

- "Going forward, while the cost-of-living measures are likely to lower headline CPI, fiscal stimulus such as infrastructure investments are anticipated to lift underlying inflation through larger demand. Furthermore, the important point is that these policy initiatives will be introduced when the labor market is still relatively tight.
- For these reasons, the easing cycle which the RBA initiated in February is anticipated to be gradual at best. In fact, as the Aussie weakened to 0.62 against USD, a dovish stance could further depreciate the Aussie, with potentially negative consequences on inflation. Therefore, the Reserve Bank is expected to remain on hold at the next meeting on April 1st, by emphasizing data dependency."

NAB (unch): "The RBA is widely expected to keep rates on hold in April as it waits further information on inflation (Q1 CPI April 30) and on wages growth (WPI May 14). Note the next RBA meeting is not until May 19-20 where markets are 70% priced for a cut.

- The recent RBA Minutes noted that when the Board decided to cut rates in February, the observations and judgements they applied were that inflation had come in lower than expected, the Board gave greater weight to potential downside risks, and also judged the labour market might not be as tight as previously thought.
- Going forward those judgements put a hefty premium on realised wage data (to confirm the labour market is not as tight as embodied in the central projection), and on realised inflation data (to ensure upside risks to inflation continue to abate). NAB expects the RBA will continue to build confidence that while the labour market is tight, it isn't excessively tight so as to hamper a sustained moderation in inflation.
- In our view the RBA's February inflation forecasts remain a little cautious in the near-term with the monthly inflation indicator consistent with a quarterly trimmed mean inflation print of 0.6% q/q. The RBA in their February forecast had trimmed mean inflation at 0.7% q/q.
- NAB continues to be of the view that the RBA will cut rates again in May. Our call thereafter is for three further rate cuts taking the cash rate to 3.1% by February 2026. A key risk to that view is that the labour market is tighter than our assessment, or that it potentially re-tightens alongside a pickup in activity."

Societe Generale (unch): "We expect the RBA to hold the cash rate target at 4.10% on 1 April and maintain a cautious stance on future rate decisions. While the RBA implemented a much-awaited pivot in policy rates by announcing a 25bp rate cut in February, the relatively hawkish mood of that meeting, as reflected in the policy statement, Governor Bullock's press conference comments and later confirmed by the minutes, significantly lower the chances of a back-to-back rate cut in April. Such a cautious stance is unlikely to have been changed by the recent key economic indicators, such as GDP, employment and monthly CPI, as well as the Federal Budget. We maintain our base scenario that the RBA rate-cut cycle will continue at the pace of 25bp per quarter throughout this year, mainly with the help of a sustained easing of underlying inflation."

- "The minutes to the February policy meeting released on 4 March were a bit more hawkish than we had anticipated. Policymakers gave quite extensive arguments for leaving the policy rate unchanged along with reducing the rate. In addition, we were surprised by the argument that it would be reasonable to maintain a more restrictive policy stance by tightening policy if the outlook was for inflation to rise materially, as it seems unusual for monetary policymakers to mention chances of a renewed rate hike in the future when they implement a pivot."

Scotia (unch): "The Reserve Bank of Australia is widely expected to be on hold on Tuesday and one day before Tariff Man leaps out of his phone booth. The cash rate target is likely to stay at 4.1%.

- One reason for holding is that they just cut by 25bps with some trepidation at the February 18th meeting. At that decision, the RBA said it expected core inflation to remain in upper half of its 2–3% inflation target range from this June through the next 2+ years. They also cautioned—as have other central banks like the Fed—that easing too quickly could stall progress on disinflation. That was a reason for why Governor Bullock said "I want to be very clear that today's decision does not imply that further rate cuts along the lines suggested by the markets are coming." That's not exactly the kind of language that a central banker on a straight line easing path would have chosen—with or without being on the eve of uncertain tariff effects."

SEB (unch): "We expect the Reserve Bank of Australia (RBA) to hold the cash rate target at 4.10% on Tuesday. Although the RBA's rate cut in February has been followed by weaker-than-expected inflation and wages data, and slowing global growth outlook, it is still not enough for a rate cut at this meeting. However, RBA could open up for another 25bps in upcoming meetings. Our forecast for a next rate cut in June to 3.85% which is also our terminal."

TD Securities (unch): "We expect the RBA to keep the target cash rate on hold at 4.10%. It's unlikely the Bank will shift its 'hawkish' stance and it's unlikely to signal an intention to cut as early as May but a dovish shift would surprise. Bias is to position for steeper curves and a weaker AUD with "Liberation Day" on 2nd Apr likely to overshadow the RBA meeting."

Westpac (unch): "While we still expect a rate cut in May, back–to–back cuts in February and April were never on the table. The RBA was too hawkish in its rhetoric last month for that, and the Board made clear that last month's cut did not foreshadow more. Cutting again at the April meeting would therefore be damaging to its credibility.

- Recall that the RBA's February forecast round implied no further decline in trimmed mean inflation from here – flat at 2.7%, the same annualised rate achieved in the second half of 2024. This was predicated on a market path for the cash rate with roughly 90bps of policy easing over this year. In order to get inflation all the way back to the 2.5% midpoint of the target range, the RBA expects to need to cut by less than this. If things start turning out in line with this narrative, with inflation stuck at current rates and wages growth holding up in the near term, then it would be reasonable to expect the RBA to cut at most once more this year.
- Our own view of the outlook is not wildly different, with trimmed mean inflation cycling around the desired level of 2.5%, just 0.2ppts below the RBA's forecasts. We also expect a small lift in the unemployment rate, to 4.5% compared with the RBA's 4.2% forecast, which is barely above the current level of 4.1%. However, our forecasts diverge enough to have different policy implications. If our forecasts are broadly correct, then the RBA is likely to cut three more times this year, bringing the cash rate to 3.35%.