June 2013: RBA decision to keep cash rate at 2.75%

- **Cash rates remain at 2.75%**
- **Westpac predicts that cash rates will fall to 2% by early 2014**

Statement by Glenn Stevens, Governor of Reserve Bank of Australia: Monetary Policy Decision

June 4, 2013: At its meeting today, the Board decided to leave the cash rate unchanged at 2.75 per cent. Information becoming available since the previous meeting is consistent with global growth running a bit below average this year, with reasonable prospects of a pick-up next year. Commodity prices have declined from their peaks but, overall, remain at high levels by historical standards. Inflation has generally moderated over recent months and monetary policy has been eased further in a number of countries.

Financial conditions internationally are very accommodative. Despite the recent rise in sovereign bond yields, funding conditions for sovereigns, well-rated corporates and most financial institutions remain very favourable.

In Australia, growth over the past year has been a bit below trend. The outlook published by the Bank last month is for a similar performance in the near term and recent data are consistent with this. The unemployment rate has edged higher over the past year and growth in labour costs has moderated. Inflation has been consistent with the medium-term target and is expected to remain so over the next one to two years.

The easing in monetary policy over the past 18 months has supported interest-sensitive areas of spending and has been reflected in portfolio shifts by savers and higher asset values. Further effects can be expected over time. The pace of borrowing has thus far remained relatively subdued, though recently there have been some signs of increased demand for finance by households. The exchange rate has depreciated since the previous Board meeting, although, as the Board has noted for some time, it remains high considering the decline in export prices that has taken place over the past year and a half.

At today's meeting the Board judged that the easier financial conditions now in place will contribute to a strengthening of growth over time, consistent with achieving the inflation target. It decided that the stance of monetary policy remained appropriate for the time being. The Board also judged that the inflation outlook, as currently assessed, may provide some scope for further easing, should that be required to support demand.