

The RBA update, Inflation and Interest rates



NIYATI KHANNA

*CFP® Professional, CA, MBA (Finance & Strategy)
representative of Alman Partners Pty Ltd,
Australian Financial Services Licence No: 222107*



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FOLLOWING UP on last week's article, the Reserve Bank of Australia at its first meeting of the year 2022 has made no changes to interest rates and remains at the record low level of 0.1%.

The RBA did end its quantitative easing program.

Now if you recall most analysts had their money on the RBA finally increasing the interest rate in the light of the data on inflation.

Of course, not only did RBA not increase the interest rate, but it also went on record to say the ceasing of the quantitative easing program did not mean a rate rise was imminent.

The RBA is forecasting that the unemployment rate will drop below 4% by late 2022 and further to 3.75% in 2023 (compared to 4.2% in December 2021).

The economic growth is forecast to grow around 4.25% in 2022 and over 2% in 2023.

Another reason the interest rate was kept unchanged was the RBA is not confident if the inflation data supports that this is widespread and sustained inflation.

The release from the RBA was followed by different financial analysts listing the reasons why the RBA did not increase the interest rate, as was widely expected ahead of the RBA meeting on the 4th of February.

In hindsight, whatever the outcome is, it was always the one that was expected notwithstanding that the overwhelming view of the "experts" may previously have been different.

Now if as an investor, you were keenly following the news and analysis on what the RBA was expected to do with the interest rates, I am sure you went on a bit of a roller coaster ride to then end up with a no-change scenario and unfortunately, not enough clarity around what the RBA may be doing in the near term – will it keep interest



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rates unchanged or increase these gradually and if so, when?

Instead of pandering to these kinds of questions where the outcome is truly not in your control, I would encourage you to focus on your situation and if there is any optimisation that can be done to your financial plan (certainly not as a reaction to interest rate movements or share market movement for that matter) based on the longer-term outlook and horizon for you.

This would mean that the next move by the RBA, although interesting to read and good to know,

would cause neither excitement nor anxiety for you as your financial plan would and should continue as before.

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