

RBA leaves no margin of error

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Eighteen out of twenty financial market economists surveyed by Bloomberg didn't pick yesterday's rate rise of 25 basis points and they are not the only rate experts who failed to pick the start date of the upward cycle.

Andrew Murray from Curve Securities said he was a little surprised that the RBA acted this month to raise rates.

"You would have thought they may have waited to be very, very sure of the economic signs; I mean another month couldn't have hurt and they can't really go back down now without looking like they have made a mistake."

Jim Stening, managing director of FIIG Securities, was also surprised that the RBA didn't wait for the next round of economic indicators before acting.

"My view was that November was the most likely time for them to initiate the cycle," said Stening yesterday.

"At that time you would have had the next quarter's CPI – the up-to-date inflation information and data for the September quarter and armed with that they could proceed to initiate the cycle.

"Realistically, after such a devastating period as we have had, we have time on our side.

"I mean, six months down the track if they get criticised for moving a month or two too late then so be it, they can jack up by 50 points, but moving a month too soon, well that could be a more fundamental mistake.

"They really haven't given themselves any margin for error."