**RBA not so upbeat about mining boom**

The RBA says shelved mining projects were the main factor for the recent interest rate cut. *Source:* AAP

**THE central bank is getting a bit more pessimistic about the mining boom and another rate cut is likely in the next couple of months.**

The Reserve Bank of Australia (RBA) lowered the cash rate by a quarter of a percentage point to 3.25 per cent at its October 2 board meeting, the fifth rate cut in the past 12 months.

Minutes from the meeting, released on Tuesday, show that weakened commodity prices, together with more general concerns about the mining sector, were behind the central bank's decision to cut the cash rate again.

"It seemed likely that mining investment would peak a little earlier and at a somewhat lower level than had previously been forecast," the RBA said.

Although the central bank made no specific reference to illustrate this, two examples could be BHP Billiton's recent shelving of a raft of projects, including the Olympic Dam project in South Australia, and iron ore miner Fortescue Metals Group's putting some of its projects on hold.

RBC fixed income strategist Michael Turner said the RBA's views on the outlook for mining were a "significant change in tone".

"Some of the comments are probably a little bit more suggestive of them being a little bit more concerned than we might have known before," he said.

"Although there was no specific catalyst identified to prompt the move, the minutes strongly suggest that the shift in sentiment in the resource sector amidst."

Mr Turner said he predicted the central bank would cut its cash rate in November, which was in line with what the futures market expected.

"We think they'll take a pause after that," Mr Turner said.

"It'll be three per cent by then and we think the rate will be cut to 2.75 per cent some time in the first quarter of 2013."

Macquarie senior economist Brian Redican said the RBA's mining comments were important because it had been the backbone of the central bank's faith in the Australian economy in the past couple of years.

"Now there are more question marks about that. It represents a big shift," he said.

"I think what stood out for us from the minutes was just how extensive those risks are.

Mr Redican said it was now up to the RBA to consider what impact this change might have on wider sectors of the economy, including the labour market and fiscal policy.

JP Morgan Australia chief economist Stephen Walters said there was an expectation that the minutes would be more dovish - showing signs there would be more rate cuts.

"Those anticipating this will be feeling a little disappointed," he said.

"Yes there are flourishes of dovishness in the commentary, particularly in reference to the terms of trade and the pronounced weakness in construction, but there also was a generous sprinkling of hints that the RBA is not poised to slash the cash rate.

Mr Walters said he expected one more RBA rate cut this year and another early in 2013.