

MNI RBA Preview - August 2025

Meeting Date: Tuesday 12 August 2025

Announcement Time: 14:30 AEST / 05:30 BST

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

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MNI POV (Point Of View): Cautious August Rate Cut

The RBA's Monetary Policy Board is unlikely to surprise economists and the market again in August when its decision is announced on Tuesday August 12. Bloomberg consensus is unanimous forecasting a 25bp rate cut to 3.60% given the further moderation in underlying inflation in Q2 towards the band mid-point, which should increase confidence that it is now sustainably within target, and signs that the labour market has reached a turning point and may be weakening. With the Board's focus on quarterly CPI data and a revised outlook, the "timing" this month is likely to be more suitable possibly resulting in a 9-0 vote after July's 6-3 split in favour of holding.

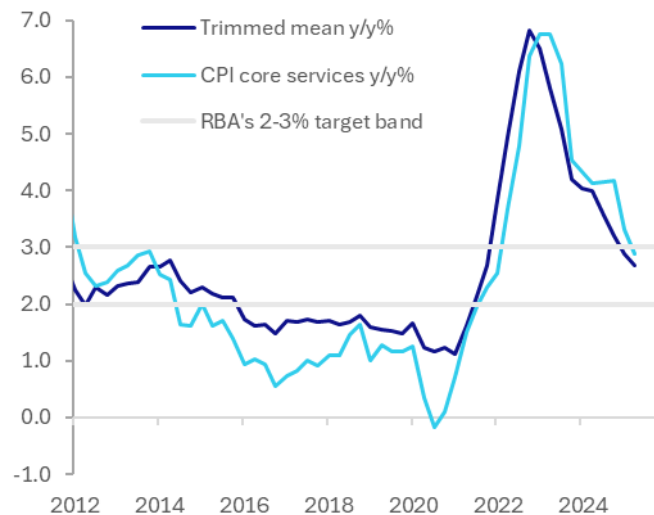
Deputy Governor Hauser advised recently that it was better to analyse the staff forecasts and listen to the Governor's press conference rather than focus on where "neutral" is. Revised projections in the Statement on Monetary Policy will be released with the August decision. There was 50bp of easing for H2 assumed in its May projections and underlying inflation close to the band mid-point at 2.6%. We don't expect material changes to the outlook this month as the economy appears to be evolving broadly in line with RBA thinking, including growth and unemployment, but monitoring the revised forecasts closely appears wise.

Market attention is likely not only to be on the updated forecasts but also the tone of the statement, given the widely expected rate cut. We believe that it will remain cautious given heightened uncertainty including around the impact of easing to date, little likely change to the outlook and weak productivity growth. Governor Bullock emphasised at her Anika Foundation speech in July that the Q2 unemployment rate was in line with the RBA's May 4.2% forecast and reiterated that the monthly data are volatile. As a result, the June jump to 4.3% would not have changed the July decision to hold. She did note that there are signs of an easing with hours worked down, and the "quit rate" and vacancies/unemployment ratio normalising. Thus, the statement is likely to be monitored closely for any changes to the language around the tightness of the labour market. Unfortunately, the July print is on Thursday, after the decision, and Bloomberg consensus expects the unemployment rate to drop 0.1pp to 4.2%. Q2 wages are on Wednesday but forecast to be in line with the RBA's May 3.3% y/y projection.

Q2 data showed the preferred trimmed mean inflation moderating towards the 2-3% target band midpoint ([Core Inflation Moderating Towards Band Mid-Point](#)). It was down 0.2pp to 2.7% y/y, just above the RBA's May forecast of 2.6%. Importantly, domestically-driven services inflation continued to moderate after its 2024 stickiness, which should reassure the Board. It fell 0.4pp to 3.3% y/y in Q2 while core services moderated 0.4pp to 2.9%, the lowest since Q1 2022 and within the band, due to easing rental and insurance inflation. Other measures of underlying inflation were also within the band and the Q2 share of CPI components rising more than 3% remained below the historical average and was low compared to 2022-2024 ([Core Inflation Measures Converging As Moderate Towards Mid-Point](#)). While monthly CPI data continue to show further easing in price pressures at the end of Q2,

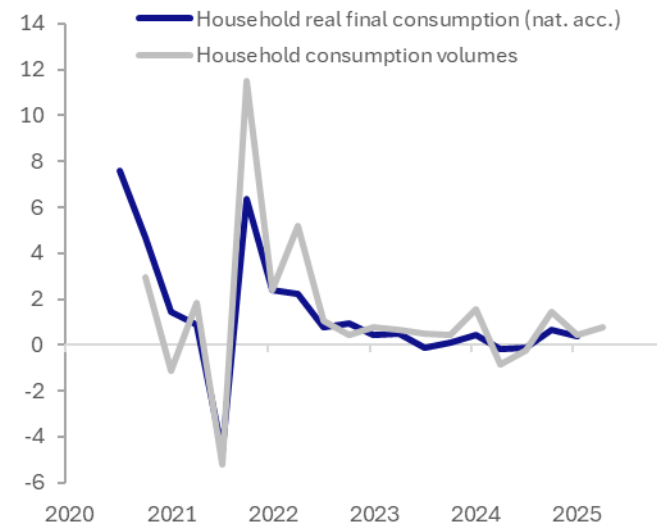
July indicators are consistent with stabilisation in disinflation, including the MI inflation gauge and price/cost components in the S&P Global services PMI.

Figure 1: Underlying inflation within the band



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

Figure 2: Possible slight pickup in Q2 consumption



Source: MNI – Market News/ABS/Bloomberg

Q2 household consumption volumes rose 0.7% q/q, the third consecutive gain, up from Q1's 0.5% signalling that private spending in the national accounts out on September 3 could be slightly higher than Q1's 0.4%. This would be consistent with the RBA's May forecast of private consumption growth at 1.4% y/y. Hauser noted that spending has consistently underperformed expectations possibly due to continued depressed consumer confidence, but it appears to be gradually recovering as real disposable income growth improves. The external outlook for Australia should also look better than in May as the US left the tariff it faces at 10%, the minimum, and the US-China trade situation is currently stable. Risks remain though with the possibility of a punitive duty on US imports from China due to its substantial purchases of Russian oil.

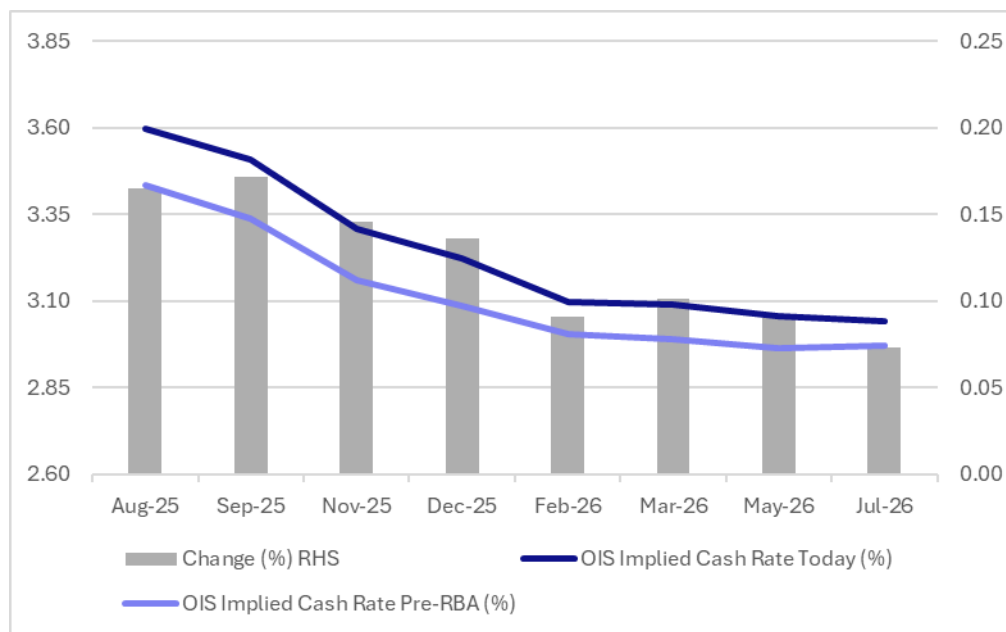
While a full monthly CPI will be available from November 26, the RBA is likely to put more weight on the quarterly series until it becomes confident with the new data and seasonal factors become available, which will take a few years. Its outlook for inflation and the labour market are key to monetary policy decisions. Its caution is also likely to increase the more monetary restrictiveness is reduced. These factors along with the economy developing broadly as the Board expects and its gradual approach to easing are likely to mean that rate cuts will probably be timed to coincide with SOMP meetings, which occur soon after each quarterly CPI publication. Thus, there is likely to be a pause on September 30 and another cut in November, but with data and the outlook remaining key, economic releases and projections will continue to drive decisions.

Pre-Meeting RBA Dated OIS Pricing

At the time of writing, RBA-dated OIS pricing is little changed on the day across meetings ahead of tomorrow's RBA Policy Decision.

- A 25bp rate cut this week is given a 97% probability, with a cumulative 62bps of easing priced by year-end (based on an effective cash rate of 3.84%).
- Notably, pricing remains 7-16bps firmer than levels before the July 8 RBA Meeting.

Figure 3: RBA-Dated OIS – Current Vs. Pre-RBA (July)



Source: Bloomberg Finance LP / MNI

RBA 8 July 2025 Meeting Statement

At its meeting today, the Board decided to leave the cash rate target unchanged at 3.85 per cent.

Inflation has continued to moderate.

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 March quarter, headline inflation, which has partly been affected by temporary cost of living relief, was at the midpoint of the target range while trimmed mean inflation was at 2.9 per cent. The baseline forecast in May was for underlying inflation to continue to moderate to around the midpoint of the 2–3 per cent range with the cash rate assumed to follow a gradual easing path. While recent monthly CPI Indicator data suggest that June quarter inflation is likely to be broadly in line with the forecast, they were, at the margin, slightly stronger than expected. With the cash rate 50 basis points lower than five months ago and wider economic conditions evolving broadly as expected, the Board judged that it could wait for a little more information to confirm that inflation remains on track to reach 2.5 per cent on a sustainable basis.

The outlook remains uncertain.

Uncertainty in the world economy remains elevated. While the final scope of US tariffs and policy responses in other countries remains unknown, financial market prices have rebounded with an expectation that the most extreme outcomes are likely to be avoided. Trade policy developments are nevertheless still expected to have an adverse effect on global economic activity, and there remains a risk that households and firms delay expenditure pending greater clarity on the outlook.

Setting aside overseas developments, private domestic demand appears to have been recovering gradually, real household incomes have picked up and there has been an easing in some measures of financial stress. However, businesses in some sectors continue to report that weakness in demand makes it difficult to pass on cost increases to final prices.

At the same time, various indicators suggest that labour market conditions remain tight. Measures of labour underutilisation are at relatively low rates and business surveys and liaison suggest that availability of labour is still a constraint for a range of employers. Looking through quarterly volatility, wages growth has softened from its peak but productivity growth has not picked up and growth in unit labour costs remains high.

There are uncertainties about the outlook for domestic economic activity and inflation stemming from both domestic and international developments. The March quarter national accounts confirmed that domestic demand has been picking up over the past six months. The forecasts in May were for growth in household consumption to continue to increase as real incomes rise. There is a risk that the pick-up is a little slower than earlier expected, which could result in continued subdued growth in aggregate demand and a sharper deterioration in the labour market than currently expected. Alternatively, labour market outcomes may prove stronger than expected, given the signal from a range of leading indicators.

There are also uncertainties regarding the lags in the effect of recent monetary policy easing and how firms' pricing decisions and wages will respond to the balance between demand and supply for goods and services, tight conditions in the labour market and continued weak productivity outcomes.

Maintaining price stability and full employment is the priority.

The Board continues to judge that the risks to inflation have become more balanced and the labour market remains strong. Nevertheless it remains cautious about the outlook, particularly given the heightened level of uncertainty about both aggregate demand and supply. The Board judged that it could wait for a little more information to confirm that inflation remains on track to reach 2.5 per cent on a sustainable basis. It noted that monetary policy is well placed to respond decisively to international developments if they were to have material implications for activity and inflation in Australia.

The Board will be attentive to 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 is focused on its mandate to deliver price stability and full employment and will do what it considers necessary to achieve that outcome.

Decision

The Board has decided to publish an unattributed record of votes in the post-meeting statement. Today's policy decision was made by majority: 6 in favour, 3 against.

MNI RBA Watch: Board Set To Cut As CPI, Labour Market Ease

By Daniel O'Leary

MELBOURNE - The Reserve Bank of Australia Board is likely to lower the 3.85% cash rate by a further 25 basis points at its August 12 meeting, as inflation continues to ease and unemployment edges higher.

A reduction would mark the third cut this year and take total easing in the cycle to 75bp, following quarter-point moves in February and May. The cut is expected to be carried by consensus, in contrast to July's split decision which shocked markets with its decision to hold. (See [MNI RBA WATCH: Board Shocks With Hold As Trade Fears Ease](#)) The cash rate was last at 3.6% in March 2023.

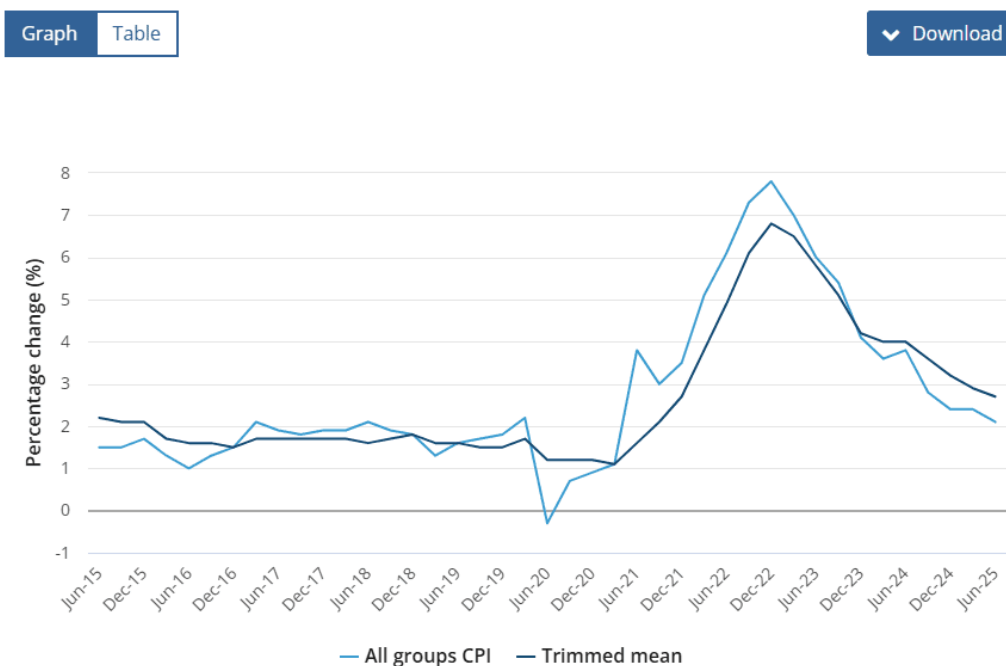
Markets have again fully priced in a cut next week and a 3.35% rate by year-end, with scope for another reduction in Q1. [However, recent RBA communications](#) point to a more patient, data-driven approach. The accompanying Statement on Monetary Policy should offer greater insight into how loose the Bank considers current settings.

DOMESTIC DATA

The RBA's two mandated targets – inflation and employment – have both eased since the Board last met.

[Australia's trimmed mean inflation](#), the Bank's preferred measure, slowed to 2.7% y/y in Q2 from 2.9% in Q1, with a quarterly rise of 0.6%, ABS data showed. (See chart) Headline CPI also eased 20bp to 2.1% y/y. Annual goods inflation slipped to 1.1% from 1.3%, while annual services inflation slowed to 3.3% from 3.7%.

All groups CPI and Trimmed mean, Australia, annual movement (%)



The RBA had forecast Q2 core inflation at 2.6% in May, assuming a 4.0% cash rate. June's monthly CPI indicator showed trimmed mean inflation at 2.1% y/y, though the Bank places limited weight on the series.

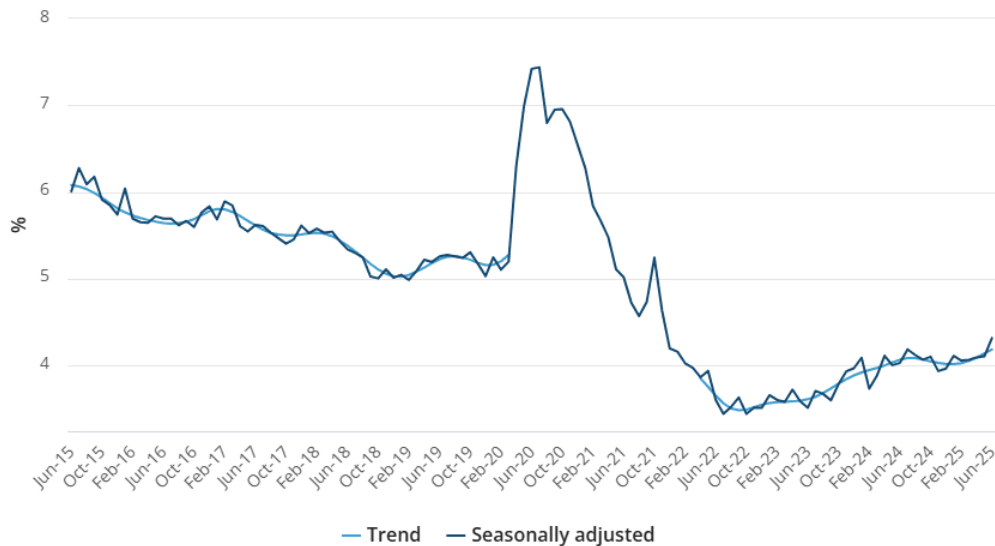
[Unemployment rose 20bp](#) to 4.3% in June – 10bp above the May forecast – while the economy added 2,000 jobs, up from May's fall of 2,500.

Unemployment rate

Graph

Table

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Other indicators, [such as retail sales](#) (+0.5% m/m in June) and lower July job advertisements, are unlikely to materially affect the Board's deliberations.

FURTHER EASING

Attention will shift to Governor Michele Bullock's remarks and the SOMP to gauge the Reserve's appetite for more cuts. Former staffers argue labour market and wage growth trends will be key, alongside the slowing global economy, as a 3.6% cash rate may be only marginally above the RBA's neutral estimate. (See [MNI: RBA To Cut In August, Jobs Market To Guide Further Easing](#)) [Bullock reiterated wage-price concerns last month](#), leading some to expect a more cautious path than markets currently price. The Bank is also likely to look beyond the unemployment rate, assessing broader labour market measures, and may still view conditions as relatively tight.

[Former Board Member Warwick McKibbin](#) recently cautioned against moving too quickly, warning that nominal government spending is driving nominal GDP growth and could force a policy reversal within six months absent a major global shock. He placed the neutral rate above 4%, well above market assumptions of around 3%.

Sell-Side Analyst Views

AMP Capital (-25bp): “The Reserve Bank of Australia meets on Tuesday and will also release updated forecasts in the “Statement on Monetary Policy”. The Board is expected to cut the cash rate by 25 basis points, from 3.85% to 3.6% - the cut that should have happened last month! We think the Monetary Policy Board will vote 9-0 to reduce the cash rate by 25 basis points because the inflation data that the board was waiting for last month to confirm its forecasts came in close to expectations, with the trimmed mean up by 2.7% over the year to June (RBA was looking for 2.6%).

- “On the RBA’s forecasts, we think they will show relatively few adjustments. Trimmed mean inflation is expected to remain around the middle of the target band over the forecast period, the unemployment rate is still expected to peak at 4.3% (on the RBA’s estimates) but near-term GDP may get revised up a little thanks to stronger consumer spending.
- Looking ahead, we expect a total of 100 basis points in this cycle (including one in August). This would mean that the cash rate settles at 2.85% at the end of the cutting cycle. Markets are expecting another ~3 rate cuts from here.
- The Board sees the current level of interest rates as “modestly restrictive”. With another cut likely this week, we would still call the level of interest rates as slightly restrictive, but we think that the RBA will still sound cautious on giving too much forward guidance and remain of the view that interest rates do not need to be aggressively cut for now, given their concern that upside inflation risks may occur again in Australia.”

ANZ (-25bp): “We expect a 25bp rate cut from the RBA’s 11–12 August Monetary Policy Board meeting (decision due at 2:30pm AEST on 12 August). We think several factors will enable the Board to cut in August, including the June rise in the unemployment rate, the 0.6% q/q increase in the trimmed mean in Q2 and what we expect will be RBA staff forecasts likely showing trimmed mean inflation around the mid-point of the band. We forecast a follow-up cut in November, with the cash rate to then stay at 3.35% for an extended period. The no change in July showed that the Board does not see itself as under pressure to cut the cash rate rapidly. We therefore expect a variation of the ‘cautious and gradual’ approach to be reflected in the August post-meeting statement and the tone of Governor Bullock’s press conference. We don’t expect a 50bp cut to be canvassed at the meeting.”

- “In the Statement on Monetary Policy (SMP), we would not be surprised to see discussion of where the RBA sees the neutral cash rate. We suspect the RBA’s best estimate of neutral is likely to be a little over 3% or around 3¼%.”
- “The major change we anticipate is slightly weaker near-term GDP growth (reflecting the weaker Q1 2025 starting point), although recent signs of recovery in consumer spending remove a little of the downside risk further out. We don’t expect material changes to the unemployment rate forecasts, with labour market outcomes for Q2 very close to what the RBA expected in May.”
- “We anticipate the trimmed mean inflation forecasts will also be little changed relative to the May SMP, although there is a risk they are revised marginally lower to 2.5%.”
- “We expect risks to global growth to again be skewed to the downside, although the tone of the press conference is likely to be closer to July’s than May’s. The rate assumption will likely be around 20bp lower than in the May SMP, given market pricing. Such a revision will not have a material impact in our view.”

Bank of America (-25bp): “We expect the Reserve Bank of Australia (RBA) will cut the cash rate target by 25bps from 3.85% to 3.60% at its August meeting, in line with consensus and market pricing. Underlying inflation in the 2–3% band and a softening labour market suggest a 25bps cut is likely, but rising private demand amid supply constraints suggests a shallow easing cycle. We expect a minor downwards revision to the growth forecast and upwards revision to underlying inflation reflecting persistently weak productivity. Statement and press conference are likely to suggest a cautious approach and may strike a hawkish tone to push back on the market pricing a terminal rate around 3%.”

Bank of New York (-25bp): “The Reserve Bank of Australia is expected to cut rates by 25bp at its August 12, 2025 meeting, bringing the cash rate down from 3.85% to 3.60%. June quarterly CPI, released by the Australian Bureau of Statistics on July 31, showed trimmed mean inflation slowing to 2.7% y/y – well within the RBA’s 2–3% target band – and headline inflation easing to 2.1% y/y, with the monthly indicator for June falling to just 2.0% y/y. This marks two consecutive quarters of core inflation inside the target range, fulfilling one of the RBA’s key preconditions for easing. Market pricing reflects near-certainty of a 25bp cut, and Governor Bullock noted in her

recent speech that monetary policy is “restrictive” and must now be assessed considering weakening domestic demand. This meeting will also include updated forecasts in the Statement on Monetary Policy.”

CBA (-25bp): “The RBA Monetary Policy Board meet next week. We expect the cash rate will be cut by 25bp to 3.60% in a straight-forward decision.”

- “The data flow has largely evolved as expected. The all-important Q2 25 CPI data confirmed the disinflation impulse in the Australian economy continued in the June quarter. The policy relevant trimmed mean CPI rose by 0.6%/qtr and 2.7%/yr in Q2 25. A step down from 0.7%/qtr and 2.9%/yr in Q1 25. Lingering concerns the RBA had around new dwelling construction costs, durable goods and market services inflation were largely squashed. Each measure was well behaved. We suspect the trimmed mean measure may even have surprised on the downside of the RBA’s nowcast.”
- “The unemployment rate lifted to 4.3% with employment growth a very modest 2.0k. It was a soft report. But commentary from Governor Bullock post the data was focussed instead on the June quarter average unemployment rate of 4.2% being in line with the RBA’s forecasts from May. The CPI together with the labour force data reinforce the economy is performing as expected and the RBA Monetary Policy Board should continue their cautious easing cycle in August.”
- “We expect the RBA to act cautiously as they approach their estimate of neutral and uncertainty rises about how restrictive (if at all) policy is. This cautiousness should show through the pace of cuts and the use of language.”
- “it would take a meaningful and persistent jump in the unemployment rate to expedite the quarterly cadence of rate cuts and make a September cut likely in our view.”
- “The chance of a further rate cut in early 2026 (to take the cash rate to 3.10%) is building. Our read on the inflation pulse indicates the chance of trimmed mean CPI moving below the mid-point of the 2.5% target is growing due to the sluggish economic recovery and the underlying inflation components.”

CIBC (-25bp): “We expect the RBA to cut the cash rate by 25 bps (to 3.60%) on August 12th. Consensus is near unanimous in calling for 25 bps, and AUD OIS markets currently price 26 bps of cuts next week, implying a cut is a “done deal.” We side with consensus for the November meeting as well, which would put the cash rate at 3.35% by year end. However, given the market already views the August and November meetings as foregone conclusions (cumulative 54 bps priced by November), we think there is risk for slight disappointment with the RBA’s measured tone on the outlook for further cuts.”

- “In justifying the July hold, Governor Bullock noted that monthly CPI was volatile, and that the quarterly CPI reading would serve as “confirmation.” The Q2 CPI report (released on July 30th) did confirm good news – all-items CPI and trimmed mean CPI grew at +0.7% q/q and +0.6% q/q, respectively – both 0.1 ppt lower than consensus. In year-on-year terms, the readings were mostly in-line with the May SOMP forecasts.”
- “We think the RBA will maintain the existing guidance for a “modest and gradual path of further easing.” In our view, there is no need for the central bank to pivot to a more dovish outlook.”
- “There is scope for the GDP forecasts within the August SOMP to be revised slightly higher. External developments have been positive.”

Goldman Sachs (-25bp): “We expect the Monetary Policy Board to reach a consensus decision to cut the cash rate by 25bp, with 9 votes in favour and 0 against. We expect relatively few changes to the decision statement, with the main change being to replace the language around waiting for “more information” on inflation with an acknowledgment that inflation has moderated in line with their forecasts.

- Consistent with Governor Bullock’s earlier comments, we think the statement will partly downplay the rise in the unemployment rate due to monthly volatility but flag that further rises would raise concerns of a deteriorating labour market. It’s also possible the labour market is now described as close to full employment rather than “tight”, given Deputy Governor Hauser’s recent comments.
- Similarly, we expect very few changes to the staff forecasts in the Statement of Monetary Policy. The key change we do expect is for the new December 2027 forecast period to show 2.5%yoy trimmed-mean inflation. We don’t expect meaningful changes to the growth, labour market or wage forecasts but note that the forecasts will be conditioned on an interest rate path with an additional 20bp of easing compared to the May forecasts (and implying a terminal rate of 3.0%).
- We continue to expect two more cuts at a quarterly pace to a 3.10% terminal rate by February 2026.”
- “The RBA’s preferred quarterly trimmed mean measure rose 0.59%qoq – in line with our/RBA forecast – with sequential momentum now consistent with the midpoint of the target band on a three-, six- and nine-

month annualised basis. The composition of the data was also encouraging and described overall as a "very welcome" report by Deputy Governor Hauser at a fireside chat the day after."

- "The recent rise in the unemployment rate in June strengthens further the case to reduce the restrictiveness of monetary policy."
- "Private consumption appears to have turned a corner with retail sales and household spending data both showing an acceleration in volumes growth over 2Q2025."
- "Consumer and business surveys have also improved somewhat, in early signs that easier financial conditions may be boosting sentiment within the private sector."

ING (-25bp): "We expect the RBA to cut the cash rate by 25 basis points to 3.6% at Tuesday's policy meeting. Recent data on growth and inflation came in softer than expected, reinforcing the case for easing. In a surprise move last month, the RBA held the cash rate steady at 3.85%, defying both market consensus and our own expectations. The decision reflected the central bank's desire for more evidence that inflation is tracking sustainably toward its 2.5% target. Since then, both the second-quarter inflation and June employment data undershot expectations. This suggests the RBA's cautious stance in July may give way to a rate cut."

JP Morgan (-25bp): "The RBA is widely expected to ease policy at next week's August meeting. While the RBA wrong-footed market pricing/economist consensus in July, the justification for remaining on hold was premised on the board seeking further confirmation that "inflation remains on track to reach 2.5% on a sustainable basis". With the 2Q CPI print broadly aligned with the RBA's standing forecast and Deputy Governor Hauser endorsing the data as "welcome" we think the inflation hurdle has been cleared and forecast another 25bp cut.

- With forward guidance likely to remain data dependent and tethered to the quarterly inflation numbers, the focus shifts to the updated macro forecast published in the Statement on Monetary Policy. The Bank's headline CPI forecasts are broadly tracking and we don't anticipate any meaningful revisions, however the trimmed mean numbers may be nudged higher to reflect 2Q's one tenth upside surprise. This is a small tweak, but leaves core inflation in the upper half of the target band (~2.7% oya) and at levels consistent with a gradual and shallow easing cycle.
- GDP forecasts are unlikely to change materially with 2Q's undershoot versus consensus counterbalanced by this week's still resilient household spending data. The unemployment rate forecast will be more interesting given June's two tenths increase marked both a range-break and multi-year high. The unemployment data have a tendency to mean-revert following outsized increases so we think this move will be partially reversed in upcoming prints, though still anticipate the RBA staff will revise the jobless rate forecast higher towards 4.5% for end-2025. This is still low by historical standards, but provides the Bank with some buffer for conservatism and to maintain balance between their mandate variables."

NAB (-25bp): "NAB expects the RBA to cut rates by 25bps to 3.60% from 3.85%. The overwhelming consensus is for a cut and markets are fully priced. We would also expect a unanimous decision. As for SoMP forecast we see little change in these with inflation, growth and unemployment.

- Key for markets assuming the cash rate is cut to 3.60%, is whether the RBA now assesses policy to be in the realms of neutral. This is likely. With policy set to be in the wide realms of neutral, it is possible Governor Bullock sounds a little hawkish, or at least not guiding towards back-to-back rate cuts.
- NAB continues to see the RBA cutting rates again in November and February, bringing the cash rate down to 3.10%, which we see as broadly neutral.
- Governor Bullock in her recent Anika Foundation speech noted the RBA was waiting for Q2 CPI data to see whether it still supported the Board's expectations of "inflation declining slowly towards 2½ per cent". In our view this gradual disinflation narrative remains on track with the recent Q2 trimmed mean inflation at 2.6% two-quarter annualised. There are though some elements of CPI that suggests some caution should remain. The Statistician noted that 'New dwelling purchase by owner-occupiers' had been benign over the past few quarters because of "promotional offers and incentives", which could turn as confidence lifts in the housing market. And it is clear input costs for housing remains. Rents also appear to be picking up again."

Natixis (-25bp): "For the August meeting, the RBA is expected to lower the cash rate by 25 bps to 3.60% but the message from the Governor Bullock will not be dovish so as to continue to anchor inflation expectations."

- "The fight against inflation seems to have been finally, at least so far, opening the door for the Reserve Bank of Australia (RBA) to ease at the policy meeting on August 12th. In fact, the trimmed mean, a measure of underlying inflation, decelerated from +2.9% YoY in Q1-25 to +2.7% YoY in Q2-25. This is still

slightly higher than the RBA's forecast of +2.6% YoY on the May Statement on Monetary Policy but there is more evidence to inflation finally stabilizing at the RBA's desired level."

- "Governor Bullock is likely to keep a cautious stance, potentially emphasizing data dependency. In fact, the unemployment rate is still below the natural rate of unemployment estimated between 4.5% and 5.0% by the Australian Treasury and consumer inflation expectation picked up to +5.0% YoY in Q2-25."

Societe Generale (-25bp): "We expect the RBA to lower the benchmark rate by 25bp to 3.60%. The RBA's decision to pause in July was premised largely on concerns that monthly CPI releases 'have overstated the easing in underlying inflation momentum'. These concerns should be allayed after the quarterly trimmed mean CPI fell back to 0.591% QoQ (unrounded), broadly in line with that implied by the RBA's own forecasts. Further, the 0.2 ppt uptick in the unemployment rate to 4.3% in June puts the 2Q average at 4.2%, also in line with the RBA's forecasts. These forecasts are made with rate cuts factored in, and with data landing in line, a rate cut is very likely.

- RBA Governor Bullock said during the Q&A following a speech on 24 July that if the committee had known about the uptick in unemployment at the July meeting, it would not have changed the decision to pause. This was a surprise for the market, but we think this is a deliberate communication choice by the Governor to avoid strongly guiding towards a cut in August.
- The data-dependent approach means that each rate cut requires another round of data to meet forecasts, with no preset course. The July delay illustrated this reaction function. Confidence around CPI is needed to give the RBA permission to cut, which they now have for August.
- Our base case is for the RBA to deliver two more cuts this year, in August and then likely November, but given the data-dependent nature, productivity issues, and rebound in forward indicators, we see rising risk that inflation will delay the final cut into 2026."

TD Securities (-25bp): "With annual trimmed mean inflation well inside the RBA's 2-3% target band and headline employment tracking flat over the past two months, the RBA is likely to deliver a unanimous decision to cut the target cash rate 25bps to 3.60% at next week's meeting. Along with the decision there will be an updated set of forecasts. We anticipate the GDP forecasts to be lowered a touch and the unemployment rate to be tilted higher, while trimmed mean is left unchanged."

- "If the RBA retains its trimmed mean track at 2.60%, markets are likely to scale back expectations of cuts between SoMP meetings in 2025 and the likelihood of the target cash rate falling below 3.10%."

Unicredit (-25bp): "The RBA will probably return to cutting rates by 25bp at their meeting on 12 August after it remained on hold in July. The cash rate is thus likely to fall to 3.60% in Australia. The RBA will likely remain focused on inflation and a still-resilient labour market at home. The move is sufficiently priced in and thus unlikely to significantly weigh on the AUD."

Wells Fargo (-25bp): "Our view, in line with consensus, is for the RBA to lower the cash rate to 3.60% from its current level of 3.85%. The RBA surprised markets in July by holding rates steady, citing persistent inflation, resilient household spending and a still-tight labor market.

- Recent data support a more dovish stance. Headline inflation rose just 2.1% year-over-year in Q2, below consensus expectations, while trimmed mean inflation—a key measure of underlying price pressures—eased to 2.7%, comfortably within the RBA's 2%-3% target range. Labor market indicators have softened as well, with June employment rising by only 2.0K (vs. 20.0K expected) and the unemployment rate climbing to 4.3%."
- "In our view, these developments are consistent with a continued gradual pace of RBA easing into early 2026. We expect a 25 bps rate cut next week, followed by additional cuts in November and February, bringing the policy rate to 3.10% by Q1 2026. The RBA appears to be in a wait-and-see mode, emphasizing a "gradual and measured" approach. Forward guidance is likely to remain flexible, with policymakers signaling data dependency and global uncertainty as key factors shaping the path ahead."

Westpac (-25bp): "Westpac anticipates the RBA Monetary Policy Board (MPB) will deliver a 25bp rate cut at its August policy meeting, bringing the cash rate down from 3.85% to 3.60%. Normally, monetary policy decisions should not come down to a single number tipping the balance. But once again, the latest read for underlying inflation has been material for the upcoming decision. Last week's data confirmed that inflation is on track to return sustainably to the mid-point of the target range, giving the MPB the go-ahead for an August rate cut. Beyond August, we believe three more rate cuts are in store for the rest of the cycle – in November, February and May – bringing the cash rate to the lower end of neutral at 2.85%."

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