

# MNI RBA Preview - Feb 2026

**Meeting Date:** Tuesday 3 Feb 2026

**Announcement Time:** 14:30 AEDT / 03:30 BST

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

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## MNI POV (Point Of View): +25bps Likely, Focus On Outlook

The sell-side consensus is for a 25bps hike tomorrow, taking the cash rate to 3.85%. 7 out of the 33 economists surveyed by BBG are forecasting no change, the rest see a 25bps hike. Our bias also rests with a hike in light of recent data outcomes.

The case for a hike rests with a creep higher in inflation pressures through the second half of last year. The sequential move higher in the trimmed mean, the RBA's preferred underlying inflation measure, creates risks around the durability of a sustainable return to the 2-3% target for inflation over the medium term. Notably Q4 trimmed mean, closely watch by the RBA, rose 3.4%/y/y above market forecasts of 3.3% and the RBA's own projection of 3.2% (made in Nov last year). The q/q outcome was 0.9% for the trimmed mean in line with the consensus forecast. The chart below plots the trimmed mean y/y outcome. Moreover, since a low of 2.8%/y/y in June last year we are now back to 3.3%/y/y for the trimmed mean, an unfavourable trend.

**Figure 1: Trimmed Mean Y/Y Drifted Higher in H2 2025**



Source: Source: MNI – Market News/ABS

**Figure 2: Lacklustre domestic demand growth y/y%**



Source: MNI – Market News/ABS

The Dec monthly data showed a 1.0%/m/m rise in headline CPI. This saw the y/y pace rise to 3.8%, above the 3.6% forecast and 3.4% prior outcome). The monthly trimmed mean was up 0.2%, and 3.3%/y/y for Dec. Via the ABS:

"The largest contributor to annual inflation in December was Housing, up 5.5 per cent. This was followed by Food and non-alcoholic beverages, up 3.4 per cent, and Recreation and culture, which rose 4.4 per cent." while adding: "Annual Services inflation was 4.1 per cent in the 12 months to December, up from 3.6 per cent to November. The main contributors were Domestic holiday travel and accommodation (+9.6 per cent) and Rents (+3.9 per cent)."

Data from the week prior showed a resistant labour market backdrop as well. Jobs growth for Dec was +65k, taking the unemployment rate back to 4.1%. This is still above late 2024 lows, but the trend moved lower for the unemployment rate as Q4 unfolded last year. This should give the central bank some confidence that a fresh hike won't derail economic/labour market momentum in the near term. The second chart above, on the right hand side, plots the NAB business survey conditions index against Australia y/y GDP growth. The general improving trend in business conditions is supportive of growth.

A key focus point, if a 25bps hike is delivered, is likely to be the outlook. The RBA cash rate, prior to tomorrow's outcome, rests at 3.60%, only 75bps under the recent peak. Hence the central bank may feel it doesn't have to do much in the way of fresh tightening to ensure that inflation risks are reduced. A 25bp hike tomorrow is priced at a 77% probability (up from 32% pre-jobs), while the terminal rate for 2026 rests a little above 4.10%. We expect the RBA to leave the door ajar for another hike, albeit one that remains dependent on data outcomes.

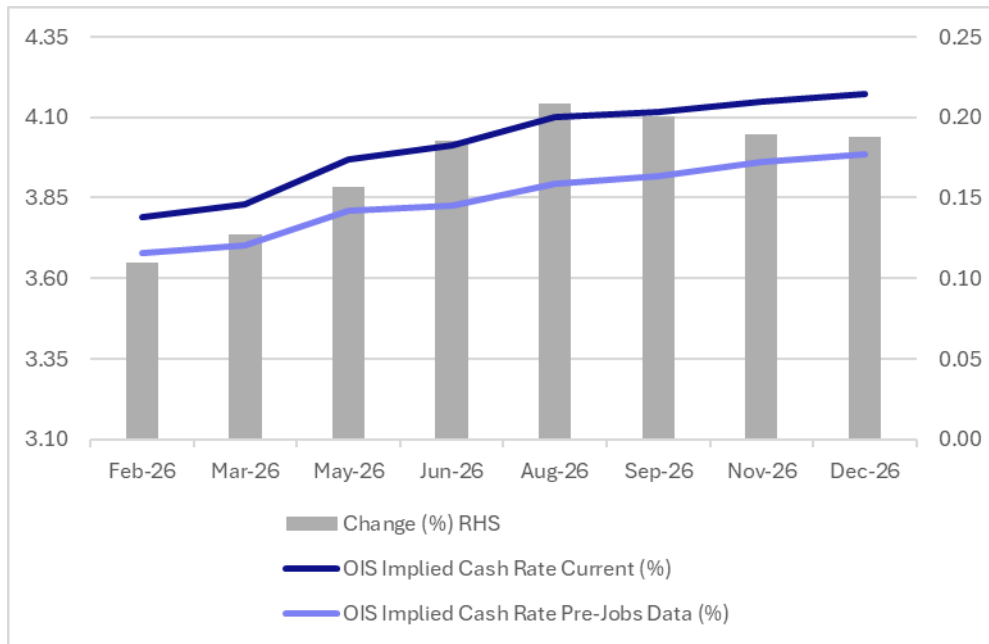
The RBA updates its forecasts as well tomorrow, with focus likely to rest on when inflation is projected to return to target, to judge further hike risks.

## Pre-Meeting RBA Dated OIS Pricing

RBA-dated OIS pricing has firmed by around 11–21bps across meetings since the release of December’s stronger-than-expected labour market data on 22 January.

- Employment rose by 65.2k m/m in December (vs +27k expected), following a revised -28.7k in November. The unemployment rate fell to 4.1% (vs 4.3% expected) from 4.3%.
- Last week’s firmer-than-expected Q4 trimmed mean CPI print (3.4% y/y vs 3.3% expected) reinforced the repricing ahead of tomorrow’s RBA policy decision.
- OIS now reflects materially tighter policy expectations across the curve. A 25bp hike tomorrow is priced at a 77% probability (up from 32% pre-jobs), with cumulative tightening probability of 166% by June (vs 88% pre-jobs) and 229% by December 2026 (vs 152% pre-jobs).

Figure 1: RBA-Dated OIS – Current Vs. Pre-Jobs



Source: Bloomberg Finance L.P./MNI

## RBA Dec 2025 Meeting Statement

At its meeting today, the Board decided to leave the cash rate unchanged at 3.60 per cent.

While inflation has fallen substantially since its peak in 2022, it has picked up more recently. The Board's judgement is that some of the recent increase in underlying inflation was due to temporary factors and there is uncertainty about how much signal to take from the monthly CPI data given it is a new data series. Nevertheless, the data do suggest some signs of a more broadly based pick-up in inflation, part of which may be persistent and will bear close monitoring.

Economic activity continues to recover. Growth in private demand has strengthened, driven by both consumption and investment. Activity and prices in the housing market are also continuing to pick up. Financial conditions have eased since the beginning of the year, credit is readily available to both households and businesses and the effects of earlier interest rate reductions are yet to flow through fully to demand, prices and wages. On the other hand, money market interest rates and government bond yields have risen more recently.

Various indicators suggest that labour market conditions remain a little tight. The unemployment rate has risen gradually over the past year and employment growth has slowed. However, measures of labour underutilisation remain at low rates, surveyed measures of capacity utilisation are above their long-run average and business surveys and liaison continue to suggest that a significant share of firms are experiencing difficulty sourcing labour. Wages growth, as measured by the Wage Price Index, has eased from its peak but broader measures of wages continue to show strong growth and growth in unit labour costs remains high.

There are uncertainties about the outlook for domestic economic activity and inflation and the extent to which monetary policy remains restrictive. On the domestic side, the pick-up in momentum has been stronger than anticipated, particularly in the private sector. If this continues, it is likely to add to capacity pressures. Uncertainty in the global economy remains significant but so far there has been minimal impact on overall growth and trade in Australia's major trading partners.

The recent data suggest the risks to inflation have tilted to the upside, but it will take a little longer to assess the persistence of inflationary pressures. Private demand is recovering. Labour market conditions still appear a little tight but further modest easing is expected. The Board therefore judged that it was appropriate to remain cautious, updating its view of the outlook as the data evolve.

The Board will be attentive to the data and the evolving assessment of the outlook and 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.

Today's policy decision was unanimous.

# MNI RBA Watch: Board Eyes 25bp Cash Rate Hike

By Daniel O'Leary

MELBOURNE - The Reserve Bank of Australia Board will strongly consider a 25-basis-point hike to the 3.6% cash rate when it meets next Tuesday, in order to contain a recent lift in underlying inflation, but its forecasts and the tone of Governor Michele Bullock's post-meeting remarks will determine whether the move is a modest adjustment or a signal of further increases ahead.

Q4 inflation data landed too strong for the Bank to ignore, while tight labour market conditions provide scope to raise rates without excessive concern about a sharp rise in unemployment. (See [MNI INTERVIEW: Trimmed Mean Key To Feb RBA Hike](#)) A hike next week would mark the RBA's first increase since November 2023 and its first cash-rate adjustment since it eased by 25bp in August 2025. (See [MNI RBA WATCH: Board Sees 2026 Hike Risks, Cuts Ruled Out](#))

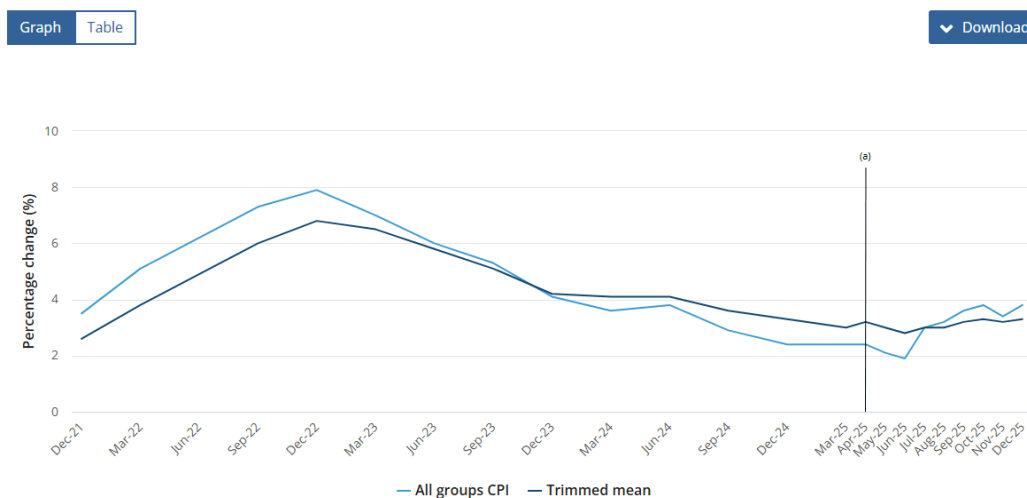
Markets have priced in a 72.6% chance of a hike on Tuesday and see the cash rate at 4.10% by December.

## ECONOMIC DATA

[Trimmed-mean inflation](#), the RBA's preferred gauge, was 0.9% q/q in Q4, taking the annual pace to 3.4% y/y, 20bp above market expectations and higher than the 3.2% forecast in the RBA's most recent Statement on Monetary Policy. The firmer-than-expected outcome, up 40bp y/y despite falling 10bp over the quarter, will add pressure on the RBA to hike the cash rate.

Headline monthly inflation was 1.0% m/m in December, taking the annual pace to 3.8%, though the RBA continues to place greater weight on the quarterly trimmed mean as its benchmark measure. (See [chart](#))

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



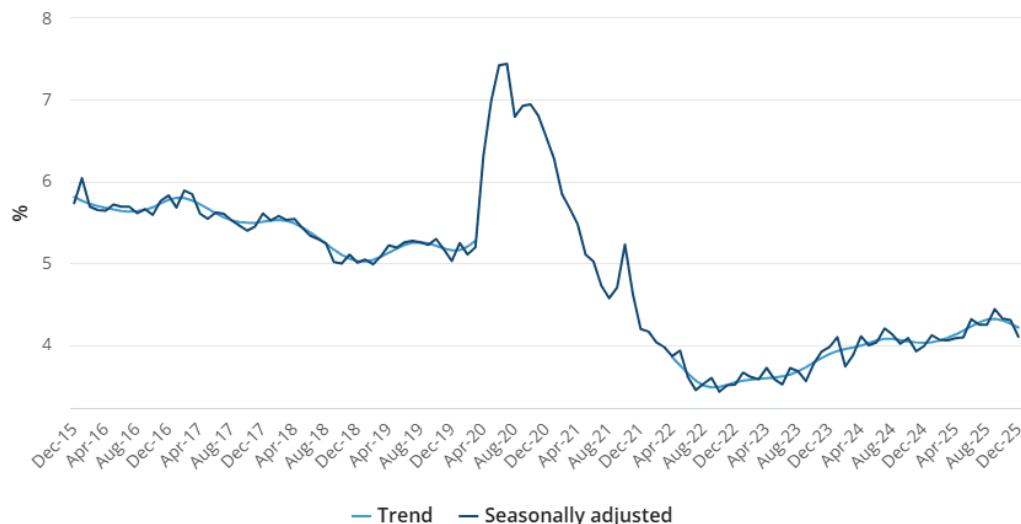
[Australia's unemployment rate](#) also fell to 4.1% in December, 20bp below expectations and down from November, while employment rose by 65,000, well above expectations for a 27,000 gain, driven by a 55,000 increase in full-time jobs. The stronger labour data will provide the Board additional cover for a hike.

## Unemployment rate

Graph

Table

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### FORECASTS & TONE

A shift in tone would mark a sharp turnaround from Bullock’s “mission accomplished” messaging in mid-2025 and an implicit acknowledgement that inflation pressures have not yet been fully contained.

Failure to act decisively also risks undermining inflation expectations, which underpin the RBA’s relatively optimistic forecasts, [former RBA research chief John Simon recently told MNI](#).

“With inflation above target for such a long time, credibility becomes more tenuous,” he said, noting the rate may ultimately need to move above 4%. A hike next week without a corresponding upgrade to the RBA’s forecasts — which currently show inflation returning below 3% by mid-2027 — would amount to a dovish tilt. By contrast, a hike accompanied by a faster projected return to target would signal a more hawkish stance, opening the door to further rate increases through 2026.

### HOLD CASE

However, one academic believes the RBA is likely to hold, arguing the Bank targets inflation over a longer horizon and has repeatedly shown a high tolerance for price growth above target. The RBA has already demonstrated a willingness to tolerate inflation above the 2–3% band, and even a 50-basis-point rise in the Q4 trimmed-mean measure to around 3.5% would likely be insufficient to prompt a rate hike at the Feb 3 meeting, [said Mark Wooden, emeritus professor at the University of Melbourne’s Melbourne Institute](#). He added that political pressure to avoid further rate increases also plays a role in the Bank’s thinking.

## Sell-Side Analyst Views

**AMP (25bps hike):** “RBA (Tuesday) is expected to leave the cash rate at 3.6%, but it’s a very close call. Its Statement on Monetary Policy is expected to show a slight upwards revision to near term growth and inflation forecasts and a slight downwards revision to near term unemployment forecasts. However, with a higher \$A and market forecasts for rate hikes rather than a rate cut (as was the case back in November) it’s likely to retain its forecast for trimmed mean inflation to fall to around 2.7%yoy by year end and may even lower it. RBA guidance is expected to remain cautious and hawkish, whether it hikes or not. Governor Bullock will also provide parliamentary testimony on Friday.”

**ANZ (25bps Hike):** “With trimmed mean inflation in Q4 of 3.35% y/y (to two decimal places) above the RBA’s forecast from the November Statement on Monetary Policy (SMP) of 3.2%, and the unemployment rate ending 2025 at 4.1%, we now expect the RBA to raise interest rates by 25bp on 3 February. In the wake of an interest rate increase we would anticipate material softening in leading indicators of activity such as auction clearance rates, consumer sentiment and business conditions/confidence. That will weaken the activity case for further rate rises beyond the one we expect. And while price pressures lifted through the second half of 2025, most top-down inflation indicators continue to suggest that a moderation of inflation back into the target range is likely over 2026 and into 2027. Accordingly, we view this as a single ‘insurance’ tightening, not the start of a series of rate hikes.”

**Bank of America (+25bps):** “We expect the RBA to hike the cash rate target by 25bps to 3.85% on Feb 3 in line with consensus. Persistent inflationary pressure, a positive output gap with demand accelerating amid supply-side constraints, and a tight labour market suggest a more restrictive stance is necessary. RBA communications will likely stress data-dependence, but signal further hikes are possible if the current inflationary pressure continues.

The SMP will release updated macroeconomic forecasts, conditioned on some technical assumptions. The assumed cash rate path is around 90bps higher than in November, while the TWI has appreciated by roughly 4%, both of which will put some downwards pressure on inflation, growth, and the labour market forecasts. Tighter financial conditions will mostly affect 2027 forecasts given the lags in transmission.

Trimmed mean inflation forecasts will likely peak around 3.5% in 2Q '26 and will not be expected to sustainably return to the target midpoint until at least mid-2027, reinforcing the need for a higher cash rate that the forecasts are conditioned on. A more dovish cash rate path than the market is pricing would push inflation forecasts further above the target and unemployment further below the NAIRU.”

**CBA (25bps hike):** “We are still of the view the economy only needs some fine tuning in the form of one rate hike. The detail of the inflation data also supports this view. Persistent inflation remains too high but is not accelerating further.

A rate hike in February should be enough to see inflation settle back close to target by the end of the forecast horizon. The risk clearly sits with an additional rate hike given the early signs of the labour market tightening and the tail wind from the consumer. Australia may already be breaching its speed limit, capacity is limited and the risks remains of further tightening in monetary policy.

The tone of the decision and forward guidance

We expect a hawkish tone to be maintained for the February meeting, similar to December where a rate hike was first floated. Inflation is too high and the economy has more momentum than expected. But financial conditions have also shifted higher since November.

But we do not expect the statement or the press conference to commit to further tightening. Instead we expect the line “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” to be again included. A reference to watching incoming data on domestic demand, the outlook for inflation and the labour market should be kept given the Board will remain highly data-dependant in the near-term. “

**CIBC (25bps Hike):** “We are now revising our RBA view to a 25 bps hike (to 3.85%) on February 3rd. Since the last RBA meeting in December, Australian labour market data has surprised to the upside, while monthly and quarterly CPI data has remained above-target. Consensus has steadily shifted towards an early 2026 hike since the December RBA meeting, and the market is now pricing 17 bps (68% chance) next week.

We note there is slight risk of “no change.” Given the unpopularity of rate hikes, the RBA may prefer a more gradual transition, starting with a “hawkish hold” in February along with a clear signal for a March hike. Such a scenario would “prepare” households and businesses for higher rates. However, our base case is that since the market is already pricing a hike, the RBA will match expectations in order to simplify messaging. A strong labour market and above-target CPI are justification enough for a pre-emptive stance.”

**Goldman Sachs (unch):** “We expect the decision to be a close call, with 6 votes in favour of a hold and 3 in favour of a hike. We expect the language in the decision statement and press conference communication to skew very hawkish. For example, the penultimate paragraph may note that “risks to inflation have tilted further to the upside” and that “inflationary pressures are proving more persistent than earlier judged”. In the press conference, Governor Bullock will likely signal that a hold today does not preclude a future hike, and that the RBA needs more data to assess whether inflation is still on course to return to target or is genuinely accelerating.

In terms of the macro forecasts in the February SMP, the most significant change will be that they are conditioned on an additional 80bp of tightening compared to the November SMP. As a result, we expect the forecasts to be softer than the November profile. In particular, we think GDP growth will be revised down around 10-20bp across the horizon, alongside a higher peak unemployment rate of 4.5%. On inflation, we expect trimmed mean to return to the mid-point of the target band by end-2027.

Further out, we continue to expect the cash rate to remain on hold at 3.60% for the foreseeable future but see risks tilted to the upside.”

**JP Morgan (25bps hike):** “We think this is a closer call than implied by market pricing (~70%), given that the underlying inflation data and macro details are less compelling than the board would hope for to start a cycle. The data are higher than the RBA forecast, but the details suggest that recent inflation has strong contributions from items with less signal content. The mix shows that the uplift seen in 2H is still quite recent, and goods-led. Services inflation is unchanged on net at 4.1%oya over the second half of 2025, while goods lifted from 0.9%oya to 3.4%oya. The persistence of goods inflation is usually much less pronounced than that of services, which makes it a less reliable anchor for policy cycles.

Since the external review of the RBA, the leadership’s approach to guidance has changed, to warn households of all contingencies. Having opened the door to potential hikes in 2026, it is harder now to not walk through it. As a result, while we previously expected the board to maintain a hiking bias while waiting for more information, we now expect a move next week, with potentially a fairly split vote. We don’t see a case for further tightening past February at this stage, unless the RBA staff’s forecasts change in a substantial way.”

**Societe Generale (25bps Hike):** “Trimmed mean CPI for 4Q at 0.9% offers some evidence that the lack of spare capacity in the economy is starting to generate inflation. Broad metrics show the labour market remains a little tight, in our view, and will not be an impediment to tightening. Forward-looking business survey data (PMIs, NAB) already point to a robust outlook for growth. Taken together, the data does not suggest inflationary pressures are set to fall and sets the stage for an RBA hike. Key to the outlook will be the staff forecasts in the Statement of Monetary Policy. We will be watching where the trimmed mean CPI inflation reading is at the end of the horizon period (out to June 2028). With two hikes already priced for this year, if CPI shows a return to the middle of the band, we will take this as a soft endorsement of the current pricing and the ‘mini cycle’ dynamic we are expecting. Governor Bullock is likely to sound hawkish in the press conference; however, we do not expect any guidance on future tightening, with a strong emphasis instead on data dependency.”

**Wells Fargo: (25bps hike):** “When Reserve Bank of Australia (RBA) policymakers meet next week, we expect them to raise the Official Cash Rate by 25 bps to 3.85%. This marks a shift from our previous forecast, which anticipated no change this year. We still view the decision as a close call rather than a guaranteed hike. While December’s labor market data appeared strong and surprised to the upside, we believe the volatility associated with the summer holiday period warrants caution when interpreting any apparent strength. For this reason, we did

not revise our expectations for next week's meeting until this week's inflation data were released—and those data came in notably hot. December and Q4 CPI inflation exceeded consensus expectations. On a monthly basis, headline inflation rose to 3.8% year-over-year, above the 3.6% consensus. Trimmed-mean inflation also accelerated, rising to 3.3% year-over-year from 3.2% previously. On a quarterly basis, headline inflation increased to 3.7% year-over-year in Q4, while trimmed-mean inflation rose to 3.4%.

Although we now expect a hike next week, this does not signal the beginning of a broader tightening cycle. Instead, we anticipate the RBA will keep rates on hold for the remainder of the year following this initial move, maintaining the Official Cash Rate at 3.85%.”

**Westpac (25bps hike):** “After preparing the ground in recent weeks for a rate hike, we believe the RBA Monetary Policy Board will follow through on these warnings with a 0.25ppt increase in the cash rate to 3.85%.

There is still a small chance they hold, and we expect the Board to debate the merits of holding versus raising the cash rate at the meeting. We are mindful of the messaging via the media that the RBA would hike if trimmed mean inflation remained above its 2–3% target and was drifting further away from the desired midpoint (our emphasis). The run of quarterly data might not quite meet the second part of that test, though there are definitely ways to construe the data to argue that it does. There are also arguments to be cautious given that the new monthly collection has made the inflation data harder to interpret. With market and public expectations already primed, though, the Board is likely to see little reason to wait.

We do not, however, assume this necessarily means a sequence of back-to-back hikes. An increase in the cash rate next week will put policy in an unambiguously restrictive position, a point on which there has been some debate recently. The peak cash rate is only half a point higher than next week's expected outcome. And with measures of underlying inflation in the bottom half of the 3s, the amount of disinflation needed to get back to the 2½% target midpoint is relatively modest.”

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