

MNI RBA Preview - March 2026

Meeting Date: Tuesday 17 March 2026

Announcement Time: 14:30 AEST / 03:30 GMT

Link To Statement: <https://www.rba.gov.au/monetary-policy/int-rate-decisions/2026/>

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MNI POV (Point Of View): Pre-War Price Problem To Drive Hike

Both Governor Bullock and Deputy Governor Hauser were very clear that the March meeting is “live” in that another rate hike will be discussed. Market pricing and sell-side economic consensus are now expecting a 25bp hike to 4.1% on Tuesday. While comments from Hauser were deemed as hawkish this week, highlighting the inflation risks from the oil price spike and limited spare capacity in the economy, he also noted that “the uncertainty over developments in Iran is extremely high” signalling that the Board is unlikely to have a preconceived notion of what it will do on March 17. It is likely to be a difficult discussion which may be reflected in a non-unanimous decision.

Hauser said that Australia doesn't have a growth problem but there is an inflation problem. The tight labour market and Q4 GDP data also showed that there is less spare capacity than the RBA thought as well as revisions showing that it cut rates as growth accelerated in 2025. The problem the RBA faces is the already elevated inflation backdrop and supply-demand mismatch before the Strait of Hormuz was closed, which leaves very little wiggle room in terms of upside surprises and catch-up wage rises. In February, before the beginning of hostilities in Iran, the RBA forecast that trimmed mean inflation wouldn't return to the target band until H1 2027 and won't be close to the 2.5% mid-point until H1 2028 - the end of its forecast horizon. The Board will be concerned about second-round effects on core inflation and rising expectations from the sharp jump in petrol prices related to the Iran as well as Australia's high dependence on imported refined fuel (80% of total) at a time of above-target inflation. Therefore 24/33 of analysts surveyed by Bloomberg are forecasting 25bp of tightening this month.

The longer the Iran conflict continues the greater the downside risks to global growth and local growth, so the RBA decision is likely to be finely balanced. While Hauser's comments were interpreted as hawkish, they did reflect the “on the one hand, on the other hand” nature of current circumstances. The sharp rise in domestic fuel prices is like a tax hike or rate rise to households and there is the risk that it will result in demand destruction and a consequent rise in the unemployment rate. As a result, keeping policy on hold is also likely to be part of this week's decision-making process, especially as Q4 consumption and unit labour cost growth was slower than expected. Rates could be left unchanged driven by the extremely elevated level of uncertainty as a result of the Middle East, in terms of the length of hostilities and their impact globally, as well as how the AUD reacts and if headline inflation will only be temporarily boosted rather than limited spare capacity facilitating the feed through to underlying inflation. If the RBA estimates a high probability of second round inflationary effects, then March tightening becomes more likely.

A rate hike at a time of very high fuel prices will be difficult to communicate. The Board is likely to indicate that it is looking at developments day-by-day and with the next decision not until 5 May it has to act now but then it will have time to watch and wait both events and data outcomes. Depending on how the inter-meeting period pans out, the Iran war may have brought forward a March hike from the pre-hostilities May expectation. With domestic fuel prices well above \$2.00/l and shortages reported especially in regional areas the staff February inflation forecasts are highly likely to be exceeded but also growth could undershoot as there is essentially a new fuel tax despite Q4 exceeding RBA expectations and Australia's position as a net energy exporter. May will include a revised set of forecasts.

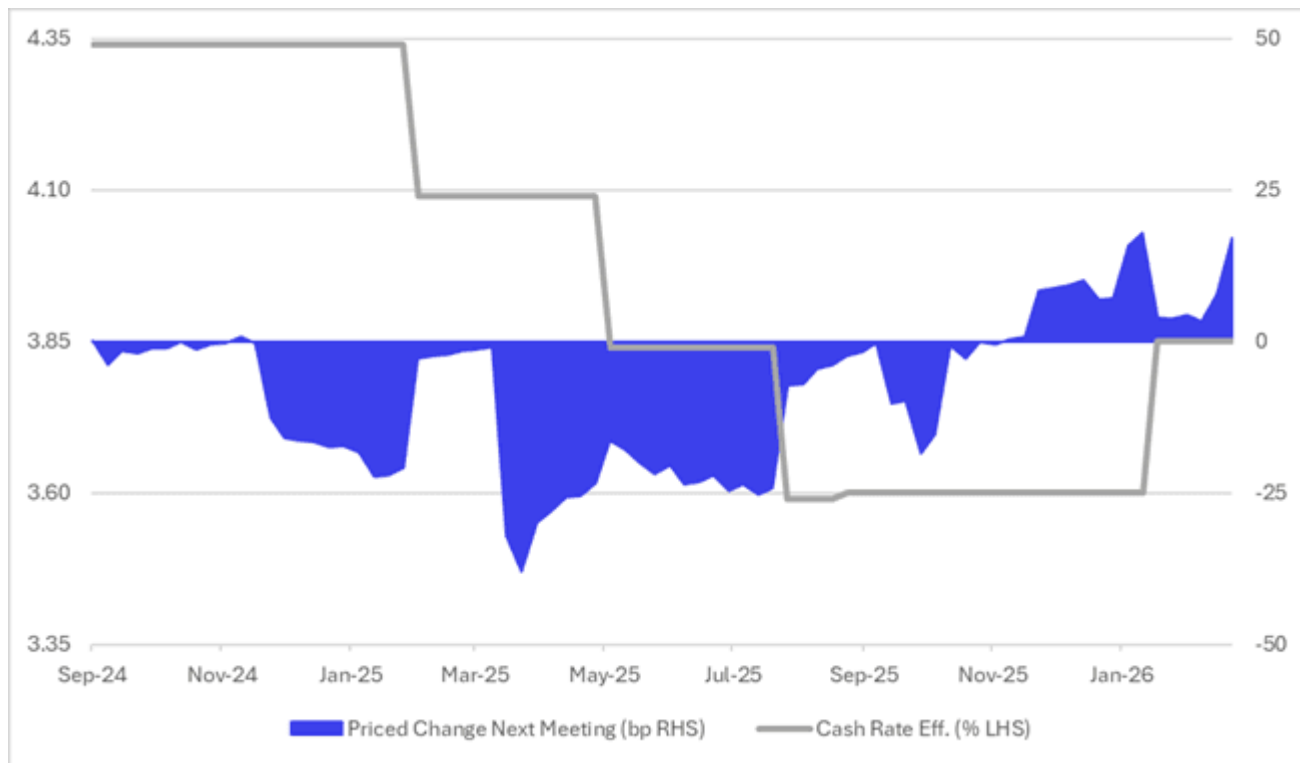
Pre-Meeting RBA Dated OIS Pricing

Market Slightly Less Certain About RBA Hike Tomorrow Than In February

Ahead of tomorrow’s RBA policy decision, RBA-dated OIS pricing implies a 68% probability of a 25bp hike, up from 35% in early March.

- The market is slightly less confident about a hike than it was ahead of February’s 25bp hike to 3.85%.
- Looking across recent tightening cycles, the market has priced an average probability of around 64% ahead of a hike, though outcomes have occurred within a wide range of roughly 28% to 112%.
- Interestingly, the lowest probabilities have tended to occur toward the end of tightening cycles—when policy uncertainty is greatest—rather than at the beginning.
- The current situation is somewhat unusual, however, as it remains unclear whether policymakers are at the start of a new tightening phase or merely extending the previous cycle after what some view as a premature easing phase.

Figure 1: RBA-Dated OIS – Cash Rate V Priced Change Next Meeting



Source: Bloomberg Finance LP / MNI

RBA 3 February 2026 Meeting Statement

At its meeting today, the Board decided to increase the cash rate target by 25 basis points to 3.85 per cent.

While inflation has fallen substantially since its peak in 2022, it picked up materially in the second half of 2025. The Board has been closely monitoring the economy and judges that some of the increase in inflation reflects greater capacity pressures. As a result, the Board considers that inflation is likely to remain above target for some time.

Capacity pressures reflect, in part, the greater momentum in demand seen in recent months. Growth in private demand has strengthened substantially more than expected, driven by both household spending and investment. Activity and prices in the housing market are also continuing to pick up. Financial conditions eased over 2025 and it is uncertain whether they remain restrictive. Credit is readily available to both households and businesses and the effects of earlier interest rate reductions are yet to flow through fully to aggregate demand, prices and wages. More recently, the exchange rate, money market interest rates and government bond yields have risen following a rise in market expectations for the cash rate.

Various indicators suggest that labour market conditions remain a little tight and that they have stabilised in recent months, in line with the pick-up in momentum in economic activity. The unemployment rate has been a little lower than expected and measures of labour underutilisation remain at low rates. Growth in the Wage Price Index has eased from its peak, but broader measures of wages growth continue to be strong 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 is restrictive. On the domestic side, if growth in demand is stronger than expected, and growth in the economy's supply capacity remains limited, it is likely to add further to capacity pressures. Uncertainty in the global economy remains significant but so far there has been little or no depressing effect on the Australian economy; indeed, recent growth and trade in Australia's major trading partners has surprised on the upside.

Decision

A wide range of data over recent months have confirmed that inflationary pressures picked up materially in the second half of 2025. While part of the pick-up in inflation is assessed to reflect temporary factors, it is evident that private demand is growing more quickly than expected, capacity pressures are greater than previously assessed and labour market conditions are a little tight.

The Board judged that inflation is likely to remain above target for some time and it was appropriate to increase the cash rate target.

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 To Consider Hike Ahead Of Oil Shock

By Daniel O’Leary

MELBOURNE - The Reserve Bank of Australia board will strongly consider hiking the 3.85% cash rate by 25 basis points at next week’s meeting as it seeks to contain already-elevated inflation as oil prices surge.

The RBA faces a potential nightmare scenario, with higher oil prices threatening to push already-elevated inflation higher and risk unanchoring expectations. (See [MNI: March RBA Hike Risk Rises - Ex Staffers](#))

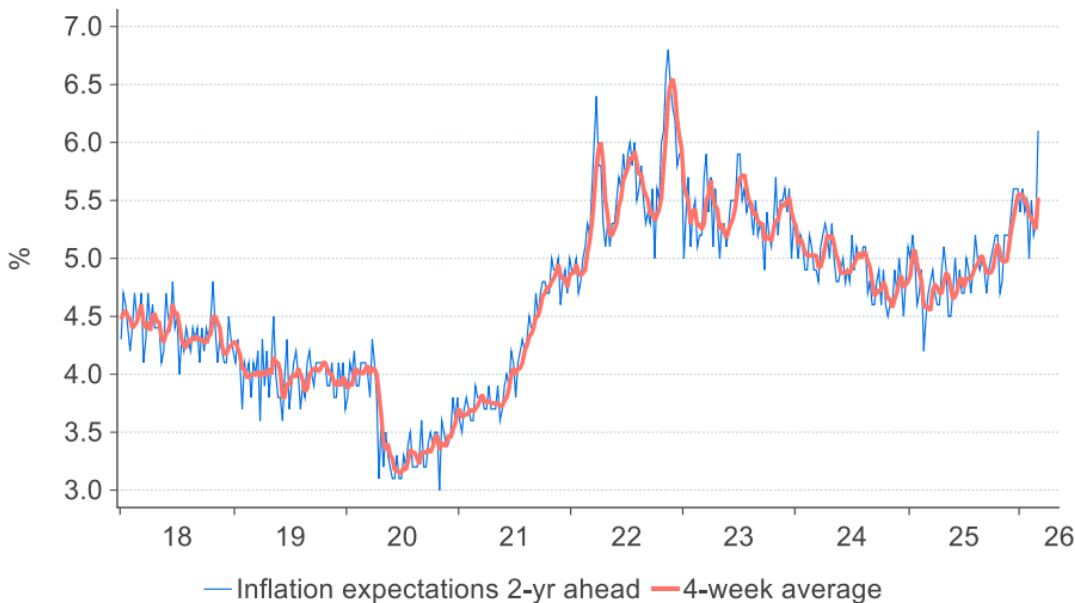
Markets have repriced sharply following the U.S. and Israeli strikes on Iran, the closure of the Strait of Hormuz, and hawkish comments from [Deputy Governor Andrew Hauser](#), with overnight index swaps now assigning a 67% chance of a hike next week, up from just 10% following February’s 25bp hike which was driven by a series of persistently strong [CPI prints above the Bank’s 2-3% target band](#). (See [MNI RBA WATCH: Bullock Says Policy Too Loose, Hikes 25BP](#))

Markets also see a 68% chance of a further increase in May, and imply a 4.5% cash rate by December — the highest since late 2011.

EXPECTATIONS & ECONOMIC DATA

[The ANZ-Roy Morgan survey](#) on Tuesday showed inflation expectations jumping 0.8 percentage points to 6.1%, a three-year high, while consumer confidence fell 3.7 points to 73.4. The data preceded Hauser’s warning that keeping rates too low could fuel further inflation pressures, echoing Governor Michele Bullock’s previous comment that next week’s meeting is “live.”

Figure 2. ‘Weekly inflation expectations’ rose 0.8ppt to 6.1%



Source: ANZ-Roy Morgan, Macrobond, ANZ Research

[Q4 GDP](#) also exceeded the RBA’s expectations, growing 2.6% annually, 30 basis points above the Bank’s 2.3% forecast, while revisions to 2025 GDP showed the Bank was lowering the cash rate last year even as economic growth accelerated.

The unemployment rate, at 4.1%, signals a tight labour market relative to RBA models, which peg NAIRU at 4.9% — [above the Bank's internal 4.6% estimate](#), according to testimony to the Federal Government's Economics Legislation Committee in February.

[Former board member Warwick McKibbin](#) called on the Bank to act early to lift rates, arguing that at 3.85% the cash rate was already too accommodative before the Middle East escalation. He suggested a rate closer to 4.2% is needed to pre-empt an oil-driven supply shock and anchor inflation expectations.

HOLD CASE

Some ex-staffers, however, noted the Bank's conservative approach may see it hold next week and await Q1 CPI data in April before hiking in May. "The global macro situation is so uncertain. There are upside inflationary risks and downside growth risks...this rate call is incredibly hard to think about," said Martin Eftimoski, an RBA economist from 2017–21. He also criticized the Bank's 2022 "narrow path" strategy, noting it failed to contain inflation and left Australia at risk of unanchored medium-term expectations.

Sell-Side Analyst Views

ANZ (+25bp): “We expect a 25bp rate hike from the RBA in its meeting next week, though the decision will not be as clear cut as February’s. Beyond the March meeting, we still expect an additional 25bp hike in May. We then expect a pause while the RBA assesses whether the increase in the cash rate is sufficient to contain the inflation risks. We consider the risks to our terminal cash rate of 4.35% as skewed to the upside.

- The Middle East conflict has now moved beyond a short-lived geopolitical shock and into a phase where oil supply losses may be more persistent than transient. The clearest and most immediate impact of the Middle East conflict on Australia is higher inflation. There will also be some demand destruction through the effects this will have on disposable incomes, but the timing and magnitude of this is less certain.
- The starting point also matters for the RBA’s reaction to a supply shock. With inflation above target and the labour market viewed as tight, inflation risks are likely to be more central for the Board than risks to activity. Increased inflation risks will exacerbate these concerns, creating more urgency to contain inflation expectations. Inflation expectations in the ANZ-Roy Morgan Australian Consumer Confidence data are at their highest level since November 2022.
- Deputy Governor Hauser noted on a podcast this week that against the backdrop of above-target inflation, the risk of further oil price increases is “not a helpful development” for monetary policy discussions, but that the “uncertainty over developments in Iran is extremely high”.

Bank of America (+25bp): “We expect the RBA to hike by 25bps in March. The oil shock introduces a material upside inflation risk, and given above-target inflation and a tight labour market, we see no compelling reason to delay the inevitable. Prior to the Iran conflict, we saw a strong case to hike further in 2026 but assumed the RBA’s cautious approach would see them wait to hike in May. The conflict has shifted the distribution of risks, and in our view, a hike in March would reinforce inflation credibility and be consistent with the Board’s approach to respond to “the evolving assessment of the outlook and risks to guide its decisions”.

CBA (+25bp): “We expect the RBA to lift the cash rate by 25 basis points at its March meeting, taking it to 4.1%. Comments this week from Deputy Governor Andrew Hauser significantly shifted both economist and market expectations toward a March hike.

- While the economic data and the RBA’s own forecasts had already provided a case for further tightening, there was uncertainty about how patient the Bank would be in returning inflation to target. Hauser’s remarks suggest the RBA is less patient than we had previously assumed, prompting us to revise our outlook for the March meeting.
- In addition to this, higher oil prices will put some additional upward pressure on inflation, at a time when inflation in Australia is already too high due to the economy operating above its sustainable speed. That said, the decision remains finely balanced. Given considerable global uncertainty, the RBA may opt to pause and allow more time for the impact of the initial rate hike to flow through the economy.”

CIBC (+25bp): “Hawkish comments by RBA Deputy Governor Hauser on Tuesday has led us (and consensus) to revise expectations for the March 17th RBA meeting. Like consensus, we now expect a 25 bps hike (to 4.10%).”

- “The surge in oil prices from the US-Iran conflict – which neither the market nor the RBA board had foreseen in February – has dramatically changed the external economic backdrop.”
- “During his interview, Hauser noted that the recent surge in the oil prices would likely push Australian all-items inflation above the 4.2% level forecasted in the February SOMP.”
- “The deputy governor warned that “keeping interest rates too low could fuel a damaging rise in inflation expectations.” Referring to a similar external oil price shock in 2022, Hauser noted that “we don’t want to go through that period again... Failing to raise rates to the level they need to be and allowing inflation to get out of control is a clear problem.”
- We view Hauser’s comments as a clear signal to the market that the RBA will be hiking at the upcoming meeting. Although he still noted there will be two-sides to the debate.”
- “He noted that labour data from before the Middle East escalation was looking strong. Hauser told his podcast hosts that “we’ve had some data that seem to have confirmed even more decisively than we had before, that our economy currently has limited spare capacity.”

- “The higher cost of living resulting from higher energy prices could also lead to a wage spiral. In our view, these additional external risks point to a hike next week. Even before the US-Iran conflict, the domestic inflation situation already warranted another hike (which we previously expected in May). From Hauser’s comments, it’s clear that he (and other members of the RBA board) are taking a vigilant, pre-emptive stance against the threat of external inflation drivers.”
- “On balance, we think a May hike is likely if the US-Iran conflict and tight oil supply continues over the next two months. However, because neither the RBA (nor the market) has any insights into President Trump’s longer-term plans, a “wait and see” approach on the outlook makes the most sense. Governor Bullock will warn of further inflation threats to allow the RBA board to retain the option to hike in May (if needed). Emphasizing that optionality could sound hawkish to the market. Although Bullock will warn of upside risks, we think she will avoid pre-committing to a May hike.”

Goldman Sachs (+25bp): “We now expect the RBA to raise the cash rate 25bp at its March meeting to 4.10% (GS prior: +25bp in May), a risk we have been highlighting as a 30-40% probability since the strikingly hawkish pivot in the RBA’s reaction function in February. A March hike is far from a done deal, but several recent developments suggest it is now the most likely scenario (GS: 60% subjective probability).

- First, tentative signs of a de-escalation in the Middle East have allowed for a stabilization in global financial markets.
- Second, inflation expectations – a focal point for the RBA Governor – have surged higher alongside oil prices.
- Third, most importantly, unscheduled hawkish remarks by RBA Deputy Governor Hauser just prior to the start of the ‘blackout period’ (ahead of the RBA’s March meeting) confirmed our earlier hypothesis that the RBA has become increasingly open to adjusting policy in between quarterly CPI/forecast rounds. Beyond March, a third consecutive rate hike in May is a material risk (GS: 30% subjective probability; conditional on a March hike). However, having front-loaded the tightening cycle and set financial conditions at a clearly restrictive level, we expect the RBA to pause, assess and ultimately remain on hold through 2026 – and particularly given recent softer data on consumer spending, business surveys and labour costs.”
- “We adjust our wider Australia macro forecasts to reflect our global team’s latest oil price forecasts. In year-over-year terms, we revise headline inflation 40bp higher to 3.4%yoy by 4Q2026, with a more modest 10bp upward revision to trimmed mean inflation to 2.8%yoy. For GDP growth, we lower forecast growth to 4Q2026 by 20bp to 1.9%yoy – as the impact from stronger headwinds to household income and broader financial conditions more than offsets Australia’s relatively favourable position as a net energy exporter. We see upside risks to our base case for the unemployment rate to rise to 4.5% by end-2026.”
- “During periods of extreme uncertainty, central banks tend to pause, assess and to look-through temporary supply-side shocks. However, in this case, we believe the resoluteness of the RBA’s hawkish narrative around a ‘capacity constrained’ economy is unlikely to be derailed by a near-term supply-side shock to oil prices – and particularly given it was accompanied by a major reassessment of key slow-moving macro anchors (including the output gap and growth in ‘potential’ & productivity).
- To the contrary, recent RBA communications suggest the Bank is more worried about an oil price shock de-anchoring inflation expectations in an environment where inflation is already above-target, with comparably less concern about ‘potential’ downside risks to growth.”

ING (unch): “With most of the macro data since the last policy review — including CPI inflation, growth, and labour indicators — remaining strong, a rate hike by the Reserve Bank of Australia is certainly on the table for Tuesday. But given the current global uncertainty, we think the RBA is more likely to wait until May. This would give policymakers additional time to assess whether inflationary pressures are broadening beyond housing.”

NAB (+25bp): “We now expect the RBA to raise rates in both March and May to a peak of 4.35% (previously one hike in May and 4.1% peak). The starting point of robust growth, a too-tight labour market and too-high inflation already supported further tightening. New upside pressure on inflation tips the balance in favour of an additional increase. Much will depend on the trajectory of oil prices and the domestic data flow, and we see two-sided risks around our new central case for a 4.35% peak. We continue to expect gradual easing back towards more neutral levels from H2 2027.”

Societe Generale (unch): “We expect the RBA to hold at 3.85% in what is a very close call. Data has stayed firm since the February hike, with the unemployment rate lower and 4Q GDP beating consensus, backing the RBA’s view that demand still runs ahead of supply. But this strength is offset by softer consumption and lower-than-expected unit labour costs, which the RBA watches closely.

- Recent hawkish headlines from Governor Bullock and Dep. Governor Hauser have pushed the market to price a higher chance of a hike. The timing of Hauser’s interview on the eve of RBA quiet period is a clear effort to put the hike option firmly on the table for this meeting so not to surprise the market, though we find the content of the interview more balanced.
- This is a live meeting in a tightening cycle, and a hike will be discussed. But with geopolitical risk high, we think the “least regrets” choice is to hold for now.”

Scotia: “Governor Bullock recently said “I’m not making a prediction about March, but it will be a live meeting. She noted “We have inflation at 3.8% headline, and we have unemployment at 4.1. The board will be actively looking at whether or not it needs to move more quickly. So I would discourage people from thinking that we necessarily only meet every quarter.” The result is likely to be a divided consensus going into the meeting with some taking the risk of a hike call while others still pushing out the follow-up hike until the next decision in May.”

SEB (+25bp): “We expect the Reserve Bank of Australia (RBA) to deliver their second 25 bps hike on 17 March. The recent surge in global energy prices introduces a fresh upside risk to the already elevated inflation outlook. Hawkish statements from the RBA added to market expectations of an earlier hike. Earlier than expected rate hikes and favourable net energy position will keep AUD supported.”

TD Securities (+25bp): “TD expects the RBA to deliver a 25bps hike at next week’s meeting with a follow-up 25bps hike in May. As a minimum, the cuts the RBA delivered last year should be reversed. This implies the RBA returns the cash rate to 4.35% by its May meeting.”

- “Impact of cuts delivered in 2025 is still working its way through. Q4 Annual GDP surpassed RBA expectations, the economy growing way above its speed limit. The upgrades to prior quarter GDP outcomes meant the RBA was cutting as growth was accelerating. New Orders / Forward Orders for the start of this year are upbeat.
- Households have plenty of spending power, the Household Savings Ratio is at a 3yr high. The unemployment rate is 0.5–0.8% pts through the RBA’s estimates of full employment. Surveys point to a firm labor market.”
- “The RBA is in the right spot to hike and enforce its credibility as a real inflation anchor. Trust is important in transmitting monetary policy. The earlier the Bank acts, the more the Bank can anchor inflation expectations. Focus is on inflation expectations and less on unemployment. Reducing inflation when growth is strong and unemployment is low is preferred over the scenario when growth is weak and unemployment is high.”
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Wells Fargo (+25bp): “We expect the Reserve Bank of Australia (RBA) to raise the cash rate by 25 bps to 4.10% at next week’s meeting, marking the second hike this year after February and pulling forward our previous expectation of a May move. While uncertainty tied to Middle East tensions and higher energy prices will factor into the decision, this is largely a domestic inflation story, with inflation trending higher since Q2-2025 and January headline and trimmed mean readings of 3.8% year-over-year and 3.4%, both exceeding expectations. With solid growth, low unemployment and rising inflation expectations, the RBA has scope to respond to mounting price pressures. We expect this to be the final hike as growth slows, though risks skew toward further tightening if inflation continues to rise, labor markets tighten further or higher oil prices and geopolitical uncertainty persist.”

Westpac (+25bp): “The RBA is now expected to hike the cash rate by 25bp in both March and May; this is a change from our previous view of a single hike in May with further hikes as a risk only. The expected peak cash rate is now 4.35%. The effect of higher oil prices on headline inflation is large but temporary. The RBA Monetary Policy Board will nevertheless feel compelled to react, especially given the hit to confidence and financial markets from the Middle East conflict has so far not been severe.

- Key information shifting our view is RBA communication revealing it has not changed its pessimistic view of growth in supply capacity following the national accounts, even though data revisions, consumption and unit labour costs paint a more benign picture. The RBA still assesses that the Australian economy is only capable of growing around 2% before facing capacity pressures. Recent growth has been noticeably above this rate, and broadly based across most components of demand.

- In addition, it has signalled a willingness to respond to the spike in headline inflation to head off a sustained rise in inflation expectations. This is despite expectations having remain anchored in recent years in the face of more lasting shocks. With consumer surveys already showing an increase in near-term expectations, the RBA be sensitive to the possibility this persists.”
- “It has not allowed for any additional disinflation from the USD sell-off separate from domestic rate moves. We think this puts downside risk into imported inflation relative to the RBA’s expectations, but not until at least late this year.
- There are good arguments for staying on hold until May given the temporary nature of the shock and the possibility of more extreme market instability. A split vote at next week’s meeting is possible.
- Market participants should allow for the possibility that the RBA opts to wait until May, but it is no longer our base case. Similarly, a swift and clear resolution of the war (and fall in oil prices) or a clear and sudden loss of momentum in domestic activity would mean that the expected March hike would not be followed up in May. Again, this is not our base case.
- By the end of next year, underlying inflation will be close to the 2½% target midpoint and unemployment noticeably higher. It will also be clearer that supply capacity growth is above 2% and that labour market slack is building outside the formal labour force. We therefore also shift our expectations of the necessary reversal of tight policy, to November and December 2027 and February 2028 (was November 2027 and February 2028).
- “We assess that the recent changes in the composition of the Monetary Policy Board have made it more comfortable with policy activism and attempts to fine-tune policy to hit the target midpoint by a fixed horizon.”

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