

MNI RBA Review - Feb 2026

Meeting Date: Tuesday 3 Feb 2026

Link To Statement: <https://www.rba.gov.au/media-releases/2026/mr-26-03.html>

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MNI POV (Point Of View): +25bps, With Further Hikes Likely Needed

The RBA raised the cash rate to 3.85%, as expected by the sell-side consensus and which was largely priced by the market (around 75% priced in per OIS markets prior to the decision). The decision was unanimous by the board. Some key snippets from the statement are outlined below. The risks appear skewed towards further action to ensure that inflation moves sustainably back into the target band. The November policy statement update last year had the trimmed mean y/y profile back under 3% by the end of this year. The updated profile now has this occurring by Q2 next year. The trimmed mean is forecast at 3.7% y/y by Q2 this year (the November projection was for a 3.2% outcome). Hence it will take meaningful downside surprises in inflation (particularly on the trimmed mean) in the next few months to derail another hike. The most likely window for the next is May, but the RBA commentary suggests they will remain data dependent.

The rationale for raising rates from the RBA: "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."

On risks around further rate hikes: "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." We await to see RBA Governor Bullocks tone in the upcoming press conference.

The growth profile is looking for growth to slow to 1.6% in y/y terms, against the prior forecast of growth closer to 2%. The unemployment rate is projected to be more resilient in the near term, before rising more in the back end of the forecast profile, to 4.6% (by mid 2028).

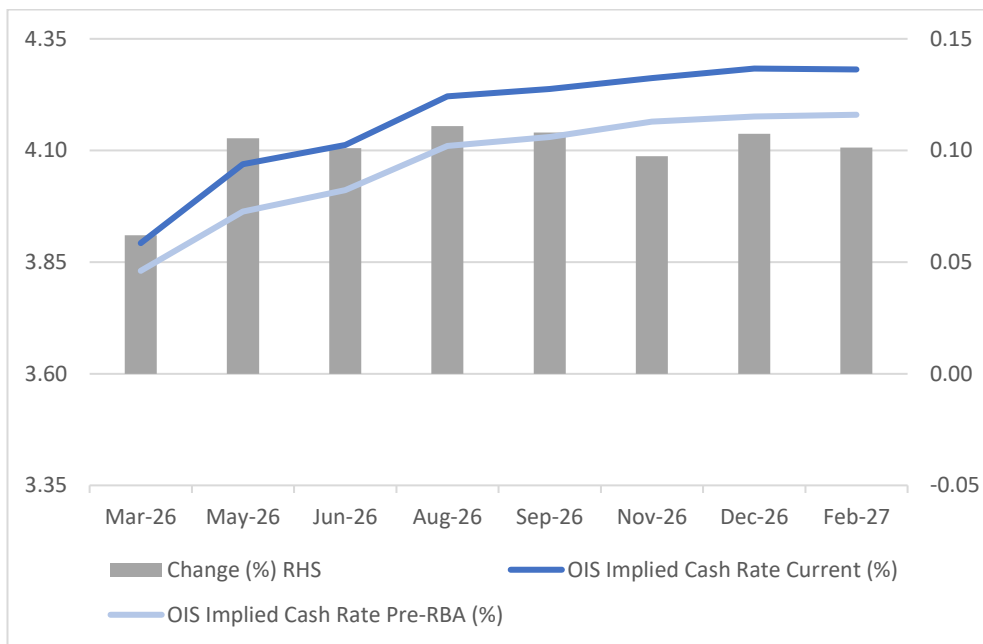
In the press conference RBA Governor Bullock didn't provide fresh forward guidance but noted that board was uncomfortable with the current inflation level and that if inflation pressures persist may have to hike further. The key theme from the press conference was that inflation pressures can't be allowed to get away. The board didn't discuss a 50bps at the meeting on Tuesday.

Post-Meeting RBA Dated OIS Pricing

RBA-dated OIS pricing is firmer again today across meetings, extending yesterday's post-RBA decision sell-off.

- Currently, pricing is 6-11bps firmer across meetings than pre-RBA levels.
- That leaves RBA-dated OIS showing tightening across all meetings, with the probability of a 25bp hike rising from 17% for March to 105% by June and 172% by December 2026.

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



Source: Bloomberg Finance L.P./MNI

RBA Feb 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: Bullock Says Policy Too Loose, Hikes 25bp

By Daniel O'Leary

MELBOURNE - Supply and demand are slightly out of balance and monetary policy is likely a bit loose, driving inflation over the past two quarters, Reserve Bank of Australia Governor Michele Bullock said on Tuesday after a unanimous decision to raise the cash rate by 25 basis points to 3.85%.

The Board will remain focused on incoming data, monitoring developments and updating its forecasts, Bullock said, following the largely-anticipated decision to make the first hike since 2023, returning the cash rate to its level prior to the August 2025 cut. (See [MNI RBA WATCH: Board Eyes 25bp Cash Rate Hike](#))

While she refrained from explicit guidance as to whether the move marked the start of a renewed tightening cycle, Bullock said the Board was uncomfortable with updated forecasts showing higher inflation persisting through 2028, based on a market-implied cash rate path peaking at 4.3% in 2027. "Our forecasts aren't suggesting that [inflation] is shooting off, but if it stays persistently at that level, that is not acceptable, and that is what the board has decided today, and that is why they have raised interest rates now."

Markets interpreted the remarks as a hawkish turn, swiftly pushing the Australian dollar up by about 1% against the U.S. dollar to 0.702. Overnight index swaps firmed by around 3-7 basis points across the curve, with markets pricing a 4.154% cash rate by December.

But Bullock stressed the current situation differed from the post-pandemic tightening cycle, when rates were lifted rapidly from emergency lows. "This isn't as clear as earlier. We are in a position where we think we might be around neutral in terms of financial conditions ... Now we think maybe there's a bit of excess demand," Bullock continued, noting the board would actively monitor data to gauge policy settings.

HAWKISH FORECASTS

The RBA's updated [Statement on Monetary Policy](#) showed weaker outcomes across most indicators despite the higher assumed cash rate.

Headline inflation is forecast to rise to 4.2% by June, up from the expectation for 3.7% in November's projections, before easing below 3% by June 2027 to 2.9%, 20bp higher than the previous forecast. The unemployment rate is expected to increase to 4.5% by December 2027 and to 4.6% in 2028, while the Bank lowered its labour productivity growth forecast by 30bp to 0.6% over the next 18 months and cut its GDP growth outlook by 30bp to 1.6% by June 2027.

While some have placed hope in AI to lift productivity, Bullock said it was not the RBA's role to speculate on specific sources of growth. "The only point I'm making is that the economy can't grow more quickly than the potential, and if we think potential growth is around about 2% then the minute the private demand starts to pick up above that, then it potentially poses challenges for inflation."

FINANCIAL CONDITIONS

Bullock said the Board broadly agreed that financial conditions were slightly loose at the margin, citing strong credit growth, a rebound in housing activity and ample availability of financing for households and businesses.

The Board does not have a pre-set path for rates and Bullock cautioned against reading the market-implied cash rate path used in forecasts as guidance. While faster rate increases could bring inflation down more quickly, such an approach could carry significant costs for employment and growth, she reiterated, noting the

Bank's so called "narrow path" strategy had not changed. "We are still trying to bring inflation down and keep employment as strong as we can, as close to sustainable for employment as we can."

Sell-Side Analyst Views

AMP: “The rise in the Australian dollar is a defacto monetary tightening that will help lower imported inflation. That said, the risks are still skewed on the upside for the cash rate if domestic demand growth continues to strengthen adding to concerns about the economy bumping into capacity constraints and if inflation does not fall as we expect. On balance we expect to see the cash rate remain at 3.85% for the remainder of the year, and we see money market expectations for two more rate hikes as being a bit too much. The key to watch for what happens next year will be the monthly inflation data. Another move in March seems unlikely given that the RBA has just moved but March quarter CPI data to be released in late April, ahead of the RBA’s May meeting will likely be key. If it shows a further cooling in trimmed mean inflation as we expect then the RBA will likely hold.”

ANZ: “We suspect, however, that the RBA may end up (marginally) pleasantly surprised on the inflation front. We also think that a likely slowing in real household income growth, the current low level of consumer confidence and today’s rate hike will see weaker consumer spending growth. As a result, while the RBA’s base case might be that another hike is more likely than not, we think that today’s action from the RBA Board should end up being the only move this year. Risks are clearly skewed to an additional hike, though, given the RBA’s focus on capacity being behind the H2 2025 lift in inflation.”

CBA (25bps hike): “As previously flagged, the risk always sat with a second rate hike to bring inflation back towards target and the economy back into balance. With the labour market now in a better position than a few months ago, and an increased resolve from the RBA, on the balance of probabilities we now see the RBA hiking again in May to take the cash rate to 4.10%. But it remains a line ball decision and is dependent on the data flow from here. The RBA is fine tuning policy given the reassessment. We judge the RBA have given themselves some wriggle room around trimmed mean forecasts with the implied profile at 0.9%/qtr and 0.8%/qtr in March and June. Both trimmed mean forecasts are above ours at this early stage. It would take a material undershoot in inflation in the March quarter for them to not hike the cash rate again in May. But this is a close call and will also depend on other data flow, particularly the labour market as well as high frequency indicators.”

CIBC: “Our main takeaway is that although Bullock characterized this hike as an “adjustment,” not necessarily a tightening cycle, the current trajectory of inflation means that the “adjustment” will probably continue. In our view, that “cautious, data-dependent” approach means that the RBA will wait for the Q1 CPI print before considering the next hike. That points to May 2025 as the next window. Based on the SOMP CPI forecasts, we are leaning towards another hike in May as the RBA slowly adjusts to the higher inflation outlook. A March RBA hike is unlikely; given Bullock’s emphasis on an “adjustment” rather than a strict tightening cycle, sequential hikes are not out base case.”

Goldman Sachs: “Looking ahead, given the degree of the hawkish pivot in the RBA’s reaction function, we now expect a 25bp increase in the policy rate in May to 4.1%yoy. However, while we expect the RBA to maintain a hawkish bias for some time, we expect a clear sequential deceleration in inflation over 1H2026 will stay the RBA’s hand beyond May. In support of this, we note an encouraging deceleration in inflation across market services (ex domestic travel), home purchase costs, and residential rents over recent months – key groupings that have been in focus for the RBA. We also expect the RBA will take comfort from our forecast easing in inflation across administered prices over 2026, with underlying price momentum eventually catching lower to the 2.6% annualized rate averaged over the 9 months to mid-2025. Looking further ahead, we expect two “normalization” rate cuts in February/May 2027 back towards our estimate of neutral (around 3½%).

JP Morgan: “The RBA hiked 25bp today to a cash rate of 3.85% (as was strongly priced and expected by most surveyed economists) in a unanimous decision. This marks a sharp turnaround from the last cut (August), and owes to a revised assessment of the level of demand in 2025, rather than evolution in the staff’s SoMP forecasts for growth or unemployment. In the press conference Governor Bullock was open-minded, stating “I don’t know if we’re in a (tightening) cycle” though if the board has changed its view on the starting point for the economy, there is not much time to remedy this quickly, so we add a second hike for May. This takes our peak cash rate assumption back to 4.1%, but achieved much earlier.”

Societe Generale: “The RBA hiked 25bp to 3.85%, after inflation pressures picked up “materially” owing to private demand, greater capacity pressures and still-tight labour markets. They see the output gap as positive and

widening in December — “somewhat” larger than expected in November, and “considerably” larger than expected in August. Aggregate demand continues to exceed the capacity of the economy. As a result, the RBA is showing a level of urgency in combating inflation. The SOMP forecasts read hawkish. The strong backdrop means the RBA is willing to tighten to (i) weaken labour markets, and (ii) dampen the GDP outlook to get inflation back to target. Even with up to two additional hikes included in the forecasts, trimmed mean CPI does not settle towards the middle of the band until June 2028 (2.6%), compared with June 2027 in November.”

TD: “The fact that the RBA raised its core inflation forecast from 2.7% to 3.2% for 2026 suggests the RBA sees capacity constraints as an ongoing issue. Hence, the likely need for follow-up action.

The key question is whether the RBA is forced to hike again after the Q4'25 GDP release on 4th March. Based on today's updated GDP forecasts, the RBA is assuming GDP to land at 0.8% q/q for Q4. A 0.8% q/q outcome would be the highest print since Q4'22 and it would probably require a beat for the RBA to be brought back to the table next month. On our preliminary tracking we see Q4 GDP around 0.5-0.7% q/q, which implies that it's unlikely the RBA will be forced to hike next month. However, as always the devil is in the details and we will assess the outcome then. For now, we don't expect the RBA to hike before its next SoMP meeting and therefore stick with the RBA's next hike to be delivered in May to 4.10%.”

Westpac: “The post-meeting statement was non-committal on whether further increases in the cash rate are needed, but the shape of the revised forecasts suggests that staff believe it is likely they will be. Given the feedback loop between inflation surprises and RBA assessments of supply, however, we believe it will pay to be more circumspect and do not expect a follow-up hike in March. But the MPB has set a low bar for further hikes and, should the RBA's inflation forecast for March quarter be validated (which is highly plausible given our own view is only a little below this), it is likely to hike again in May.”

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