

## MNI RBA Review – March 2026

**Meeting Date:** Tuesday, 17 March 2026

**Link To Statement:** <https://www.rba.gov.au/media-releases/2026/mr-26-08.html>

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### MNI POV (Point of View): Inflation Worries Still At The Fore

As was generally expected, the RBA decided to hike rates 25bp to 4.1% but the difficult discussion was reflected in the 5 to 4 vote with the latter believing rates should be held. The split in the Board was not about the direction of rates but the timing of the next increase. The March rate hike decision was not made lightly but was in response to above target inflation and ongoing excess demand in Australia which could allow second-round effects from the exogenous shock to fuel prices from the Iran War. Policy wasn't tightened because of the Middle East but the situation there increased concerns about price expectations and the return of inflation to target especially given limited capacity. The risk to the inflation outlook from the jump in fuel prices was acknowledged but so too the negative impact this and elevated uncertainty could have on domestic and global growth.

The next decision is 5 May and will include updated staff forecasts. Data and Middle East developments will be watched closely but if the return of underlying inflation to target is delayed again in RBA projections, then further tightening is possible. It noted this month that "there is a material risk" that it will be above target longer than the RBA expected. However, if the Iran War appears to be prolonged, increasing the risk of a growth shock, then the Board may be more cautious especially as it has already hiked 50bp this year. Data will be monitored closely for signs of rising inflation expectations, second-round effects from fuel prices, and any easing in excess demand.

The Board members who voted for a hike were concerned "a wide range of possible scenarios could add to global and domestic inflation" which would keep inflation "above target for some time". They are now concerned that there are upside risks to the price outlook and inflation expectations, which Governor Bullock noted are already showing signs of rising in the short-term. The RBA has run initial scenarios reflecting first-round effects from higher fuel prices but is yet to include second-round effects, which we may be in May's Statement on Monetary Policy.

Even before the start of hostilities, the RBA noted that data since the last decision was consistent with capacity pressures adding to inflation and that the labour market had "tightened a little recently". It hasn't changed its strategy to bring the positive output gap back to neutral and thus inflation down too which it believes it can achieve as long as inflation expectations remain anchored. Currently, it is not its goal to push the output gap negative. The Middle East hasn't changed this strategy but tilted inflation risks to upside as ongoing excess demand could allow increased costs to be passed on.

The arguments to hold policy centred around the Middle East conflict and its unknown length and implications and a desire to wait for more domestic data on inflation and the labour market to give greater clarity on where the economy is. The difference of opinion was around where the risks lie and as a result the timing of hikes. All members agreed that inflation was too high and that excess capacity was pressuring it. Thus, labour market data on 19 March and 16 April and CPI on 25 March and especially on 29 April will be important in determining where the economy was in Q1 and will be key inputs into the May decision.

The Board acknowledged that financial conditions were tighter in 2026 but the restrictiveness of monetary policy remains uncertain. Governor Bullock said that inflation above the top of the target band may be giving a signal about the level of money policy restrictiveness but there's still significant uncertainty over the degree. A 50bp hike wasn't considered this month given the material geopolitical uncertainty and the mandate to keep the labour market gains which with the unclear policy stance warranted caution.

Going into the global oil supply disruption, Australia was in the unfortunate position of above-target inflation with excess demand adding to price pressures. The Board remains flexible if there is a growth shock from the Iran War and it is alert to recession risks but at the moment is more concerned about pre-war inflationary pressures and the considerable risk that events in the Middle East will exacerbate them. The split vote in March may mean that another hike is less likely in May, as the difference was about timing, but global developments and domestic inflation and activity data could easily change that.

## Post-Meeting RBA Dated OIS Pricing

RBA-dated OIS pricing is slightly firmer across meetings after reversing the initial softening following today's release of the February Employment Report.

- Pricing shows tightening across all meetings, with the probability of a 25bp hike rising from 72% for May to 160% by August and 211% by December 2026.

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

	Current (%)	Pre-Data (%)	Change (%)
May-26	4.28	4.28	0.00
Jun-26	4.36	4.36	0.00
Aug-26	4.50	4.50	0.01
Sep-26	4.56	4.56	0.00
Nov-26	4.64	4.63	0.01
Dec-26	4.64	4.64	0.00
Feb-27	4.63	4.62	0.01
Mar-27	4.62	4.61	0.01

Source: MNI – Market News / Bloomberg

## RBA March 2026 Meeting Statement

At its meeting today, the Board decided to **increase the cash rate target by 25 basis points to 4.10 per cent.**

While inflation has fallen substantially since its peak in 2022, it picked up materially in the second half of 2025. **Information since the February meeting** suggests that some of the increase in inflation reflects greater capacity pressures. **In addition, the conflict in the Middle East has resulted in sharply higher fuel prices, which, if sustained, will add to inflation. Short-term measures of inflation expectations have already risen. As a result, the Board judged that there is a material risk that inflation will remain above target for longer than previously anticipated.**

**Higher** capacity pressures reflect, in part, the greater momentum in demand in the **latter part of 2025.** Growth in private demand strengthened substantially more than was expected in **mid-2025, although the composition of that growth surprised in the December quarter. Business investment was above expectations and consumption was below expectations. Meanwhile, growth in unit labour costs declined. More recently, the unemployment rate has been a little lower than expected and measures of labour underutilisation remain at low rates. Activity and prices in the housing market grew strongly over the past year, although housing price growth moderated somewhat at the start of 2026.**

**Financial conditions have tightened a little this year, but the extent to which monetary policy is restrictive is uncertain.** Credit is readily available to both households and businesses and the effects of interest rate reductions in 2025 are yet to flow through fully to aggregate demand, prices and wages. The exchange rate, money market interest rates and government bond yields have **risen over the past month. In large part, higher interest rates reflect expectations for the path of monetary policy, which have risen in Australia and most other advanced economies in response to the expected inflationary implications of the conflict in the Middle East.**

There are **material** uncertainties about the outlook for domestic economic activity and inflation and the extent to which monetary policy is restrictive. **Globally, the conflict in the Middle East poses substantial risks in both directions. A longer or more severe conflict could put further upward pressure on global energy prices; this will push up near-term inflation and could also increase inflation further out if it impairs supply capacity or price rises get built into longer term inflation expectations. Higher prices and prolonged uncertainty may cause growth to be lower in Australia's major trading partners and also in Australia.**

### 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, the **Board judged that the labour market has tightened a little recently** and capacity pressures are **slightly** greater than previously assessed. **Developments in the Middle East remain highly uncertain, but under a wide range of possible scenarios could add to global and domestic inflation.**

**In light of these considerations, the Board judged that inflation is likely to remain above target for some time and that the risks have tilted further to the upside, including to inflation expectations. It was therefore 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. **Monetary policy is well placed to respond to developments** and the Board is focused on its mandate to deliver price stability and full employment. It will do what it considers necessary to achieve that outcome.

**Today's policy decision was made by majority: five members voted to increase the cash rate target by 25 basis points to 4.10 per cent; four members voted to leave the cash rate target unchanged at 3.85 per cent.**

\*Material statements changes marked in **red**

## MNI RBA Watch: Timing Drove Split Vote, Not Direction-Bullock

By Daniel O'Leary

MELBOURNE - The five-to-four vote by the Reserve Bank of Australia Board to lift the cash rate 25 basis points to 4.1% on Tuesday reflected differences over timing rather than the direction of policy, Governor Michele Bullock told reporters, noting rates will need to go higher should inflation prove persistent.

All members agreed inflation remains too high, excess demand persists, and inflation expectations must stay anchored, Bullock said, adding that those who voted to hold did so from a "hawkish" perspective, expecting further tightening to be needed.

Dissenting members favoured awaiting greater clarity on the Middle East conflict and its potential impact on global and domestic growth, as well as additional confirmation from labour market and inflation data. "The issue wasn't the direction, it was really the timing," Bullock said, following the largely-expected call. (See [MNI RBA WATCH: Board To Consider Hike Ahead Of Oil Shock](#))

Market pricing firmed following the decision, with overnight index swaps now fully pricing a further 25bp hike in May and implying a 4.5% peak cash rate by September, above the 4.35% high reached in 2024.

Bullock said global uncertainty remains elevated but inflation expectations are still anchored, removing the need to consider a larger 50bp move. The bank's strategy remains to return inflation to target while preserving labour market gains, she noted.

### RECESSION RISK

Bullock did not rule out the risk that tighter policy or an escalation in the Middle East could push the economy into recession, though she stressed this is not the bank's baseline.

The Board aims to reduce the positive output gap and bring inflation down without a sharp rise in unemployment, she said, but acknowledged that if inflation proves persistent, policy may need to tighten further even at the cost of weaker growth. "We don't want to have a recession. But if it's hard to get inflation down, then we're going to have to deal with that possibly," she added.

Bullock said the labour market is stronger than previously assessed, with risks now tilted more towards inflation than employment, reinforcing the case for maintaining a tightening bias. The Board will closely monitor global developments and stands ready to adjust policy should conditions deteriorate materially, she added, noting the Bank aimed to bring the output gap to zero.

"Some people say you actually need to create a negative output gap ... That's not our strategy. Our strategy continues to be to try and bring the output gap down from the positive and with anchored inflation expectations, which will only stay anchored if people think we will do what we need to do to get inflation down."

### BOARD DYNAMICS

Bullock said the split vote reflected healthy debate, and that the Board's globally unique structure — with a majority of external members — can lead to differing but reasonable judgements in an uncertain environment.

Such diversity of views is constructive, particularly given the challenges of calibrating policy amid elevated uncertainty, she said.

"Particularly in circumstances like this, where you know it's very difficult, it's uncertain, there are two very good arguments to do two different things, then reasonable people can differ and that's a positive thing. The meeting today with its split decision and the process it went through I thought was an excellent demonstration of how that can be very positive."

## Sell-Side Analyst Views

**AMP Capital:** “The RBA hiked its cash rate for the second time this year by another 0.25% to 4.1% in response to inflation running above target and the War with Iran likely to boost it further. A further rate hike is highly possible, but the longer the conflict persists the greater the risk that the inflation shock will turn into an output shock. As such our base case is for the RBA to leave rates on hold at its May meeting. The best thing the Government can do to help alleviate underlying inflation pressures is to lower the level of public spending and introduce reforms to help boost productivity.”

**ANZ:** “As was generally expected the RBA’s Monetary Policy Board raised the cash rate by 25bp to 4.10%. The decision was very close, however, with five members voting for a rate increase versus four in favour of no change. We view the closeness of the vote as more a question around timing. That is, we think that the minutes will show that a number of Board members would have preferred to wait for more time and data, and an updated set of forecasts from the RBA staff, before acting.”

- “The focus on upside inflation risks and only a limited focus on negative growth impacts suggests that the RBA’s initial thinking is that the conflict in the Middle East will be more of an inflation shock than a demand shock. While that is likely true in the near-term, the RBA’s growth forecasts in the May SMP will be of interest to gauge the extent to which the central bank thinks higher energy prices and inflation will crimp demand.
- Looking forward our views on the RBA are unchanged following today’s rate increase. We expect an additional 25bp increase in May which would take the cash rate to 4.35%. That level of interest rates, combined with the negative impact on household finances and demand from the energy price shock, should mark the end of this tightening cycle.
- The RBA Board will ultimately need to have some confidence that policy is sufficiently tight in the face of the coming increase in inflation for that to be the case. That will in turn require high frequency indicators of demand (and the policy stance) to show that overall policy settings are indeed restrictive.”

**CBA:** “The RBA Monetary Policy Board lifted the cash rate by 25bp to 4.10% as expected. It was a 5-4 split by the Monetary Policy Board reinforcing our view that it was a line ball decision. The debate was about the timing of a rate hike not the direction of interest rates. Inflation was the paramount concern in lifting the cash rate in back to back meetings, with a material risk that inflation will remain above target for longer than expected.

- The rate hike was driven by domestic economic conditions and the need to close the output gap, to bring demand back in line with supply. Inflation expectations from the Iran conflict added another key source of concern and will be critical from here.
- Our call of a rate hike in May is another line ball decision. The likelihood of a third consecutive rate hike will depend on the status of the war in the Middle East and the response of the household sector to two rate hikes and rising prices.”

**CIBC:** “The first of the global central bank policy decisions of the week, (eight major central bank decisions come in total), resulted in the RBA hiking rates by 25 bps to 4.10%. The narrow 5-4 vote in favour of a hike was initially interpreted as more dovish than expected. However, during the press conference RBA Governor Bullock clarified that the split decision reflected differences on timing, rather than rate direction, with doves arguing that a hold until May would allow greater time to assess the impact of the conflict in the Middle East. Bullock noted that all members agreed that further increases in the cash rate were necessary.”

- Although a May hike is not certain, Governor Bullock continued to argue that the underlying inflation trends remain high, suggesting that the RBA maintains a tightening bias. When asked whether the RBA was willing to push the Australian economy into recession in order to manager inflation, Bullock replied that “we don’t want a recession, but if it’s hard to get inflation down, we’re going to have to deal with that possibility.”
- “Today’s split vote suggests shows that a May RBA hike is not a guarantee. Given the split vote was based on timing differences, the doves within the group could argue that the need for an eventual May hike had already taken place. As usual, Governor Bullock noted that “every meeting is live.”
- “We suspect another hike in May is likely, but the RBA will have to wait and see how the data unfolds (particularly Q1 CPI). The RBA will also watch to see how long the Middle East conflict (and the oil price shock) persists before deciding on a hike or hold in May. For now, we lean towards a May hike.”

**Goldman Sachs:** “The RBA raised the cash rate 25bp to 4.10% at today's meeting, in line with our forecast and consensus expectations (GSe: 4.10%; BBG median: 4.10% - 24/33 surveyed economists). The decision reflected a split 5-4 vote across the Board.

- In the brief statement attending the decision, the RBA observed that ‘the conflict in the Middle East poses risk in both directions’ (i.e., inflation and growth), but overall leaned-in to a view that the risks to inflation ‘have tilted further to the upside, including to inflation expectations’.
- Since February’s meeting, the RBA characterised the labour market as having ‘tightened a little... and capacity pressures as slightly greater than previously assessed’. The RBA continues to flag uncertainty about the ‘the extent to which monetary policy is restrictive’, but also noted weaker-than-expected consumer spending and moderating house price growth.
- “The tone of the Governor’s language through the press conference leaned hawkish – as expected, given comments were generally framed to justify and explain the decision to hike the policy rate today. Consistent with the brief statement attending today’s decision, the Governor characterised current demand as exceeding supply, the labour market as having tightened a little, and noted upside risks to inflation from higher fuel prices.
- Downside risks to global growth from the conflict in the Middle East were acknowledged, but consistently seen as less concerning vis-à-vis the upside risk to inflation expectations. She noted that the RBA hadn't done ‘any modelling of potential [economic] impacts if the war goes on’, but had modelled the ‘first-round pass-through to inflation’.
- Looking ahead, the risk of a third consecutive rate hike in May is material (GS: 30% subjective probability) but not our base case – partly because we view the pick-up in inflation over 2H2025 as mostly driven by ‘administered’ and sector-specific prices rather than ‘excess demand’ in the economy. Specifically, on the supply side, we are less pessimistic than the RBA on the economy’s potential growth rate – against the backdrop of both productivity growth returning to its pre-COVID trend and unit labour costs declining to long-run averages. While on the demand side, we note recent higher frequency data on consumption and jobs growth had been softening before the impact of the recent increases in rates and oil prices.”

**J.P.Morgan:** “In what was seemingly a tight call, the RBA hiked 25bp today, in line with consensus forecasts and the tilt of market pricing (about 2/3 probability), but against our call for a hold. The vote was 5-4, in contrast to last month’s 9-0 outcome. The concluding section frames the move in terms of risk management on inflation and inflation expectations, which seemingly overcame the uncertainty and growth risk motives to pause.”

- “Governor Bullock relayed “a robust conversation” among the board regarding whether or not to wait until May for more information. The statement, by contrast, largely reflected what the board agreed on, which was that inflation was too high.
- Given how annual rates work, that will be the case again at the next meeting, so while the split decision and the ‘either/or’ tone of the March/May debate should mean reduced risk of a third consecutive move, we keep to our call for a hike in May. If the board wants to demonstrate a virtuous response to realized inflation a la 2022/23, it will seemingly lean toward tightening alongside the coming SoMP inflation forecast upgrades. Of course, the petrol price impulse probably won’t peak until 2Q (report due July), so a pause in May would push some risk back into August.”

**NAB:** “The RBA has hiked the cash rate for a second straight month, up 25 bps to 4.1%, a 10-month high. The central bank says higher borrowing costs were needed to contain inflation, though a very tight vote suggested further tightening would be a close call. NAB continues to expect another hike in May.”

- “Greater capacity pressures, upside risk to inflation expectations, a tightening in the labour market and upside risks to inflation expectations are all cited as reasons for the increase.
- Interestingly, while the Statement acknowledges that the conflict in the Middle East poses “...substantial risks in both directions”, it also observes that the conflict could add to global and domestic inflation under “...a wide range of scenarios.”
- The most important take away from today’s Statement is the observation that “...there is a material risk that inflation will remain above target for longer than previously anticipated.””

- “Context is important – since August 2025, the RBA has been repeatedly surprised by strength in inflation and growth. With an already tight labour market and little / no insurance against the risk of higher inflation and rising inflation expectations, a further tightening of monetary policy was the prudent course of action.
- We continue to expect a further 25bp rate hike in May. Given the developments in the inflation outlook in recent weeks, the strong starting point for the labour market and GDP growth, it is unlikely that a modest 50bp recalibration of monetary policy is enough to deliver outcomes consistent with inflation returning sustainably to the target band.”

**TD Securities:** “The RBA hiked the cash rate 25bps to 4.10% in what proved to be a very close 5-4 vote. Elevated domestic inflation and excess domestic demand were the key catalysts prompting today's hike. At the margin the RBA hiked as insurance against an increase in longer term inflation expectations. We expect today's decision should not have spillover effects to other Central Bank decisions this week.

- The split decision means our call for a May hike is not assured. For the RBA to hike at that meeting would require at an absolute minimum an end to the Middle east conflict. We doubt the US administration wants this conflict to extend. Hence we stick with a May hike.”

**Westpac:** “As was widely expected, the RBA Monetary Policy Board (MPB) raised the cash rate 25bps to 4.1% following its March meeting. We flagged the possibility that it could be a split decision, but the 5:4 vote was an even finer majority than we thought might occur.

- The main reasons for the decision were the existing assessment that Australia is experiencing capacity pressures, coupled with the increase in inflation expectations that has already occurred in response to the Middle East conflict and associated spike in petrol prices.
- With the Board already split, a follow-up hike in May looks less certain. But (as revealed in the media conference) all members agreed that a hike was needed and the question was more about timing. We therefore retain a May hike as our base case. Whether the conflict in the Middle East is still ongoing and how it evolves from here will be crucial.
- The Board are also still concerned about domestic capacity pressures keeping inflation above target. This will mean rate hikes will remain on the table until inflation risks have clearly subsided.”
- “It is possible that the RBA's assessment of the implications of the Middle East conflict will evolve once it has done modelling of the impact. The Governor revealed in the media conference that the RBA staff have not yet done this modelling. In the meantime, Westpac Economics' modelling and forecasts may provide a guide to possible outcomes.
- The overall tone of the RBA's post-meeting (and indeed pre-meeting) communication remains broadly as it was in February. The RBA remains concerned that the domestic economy is too tight and demand growing too quickly. As we have highlighted in the past, their assessment rests heavily on a view that the Australian economy can only grow around 2% before hitting capacity constraints. This view, in turn, rests on relatively pessimistic assumptions about population and productivity. While this remains the RBA's view and inflation above target, rate hikes will remain on the table and our base case remains for a May rate hike.”

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