

## MNI RBA Review – November 2025

**Meeting Date:** Tuesday, 4 November 2025

**Link To Statement:** <https://www.rba.gov.au/media-releases/2025/mr-25-31.html>

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### MNI POV (Point of View): Inflation Persistence Key To Outlook

The RBA Monetary Policy Board unanimously left rates at 3.6%, as was widely expected, and sounded generally cautious. The main change to the statement was around the “materially higher” Q3 inflation print and “recent evidence of more persistent inflation” but risks were said to be “in both directions” with some of the rise in Q3 inflation being classed as “temporary”. The Board didn’t seem too concerned about softness in the September labour market data. While inflation is assessed as “persistent” and expected to be above the top of the band, rates are likely on hold at “a little restrictive”, which on the November forecasts likely means until at least May. Governor Bullock said that data will continue to drive the outlook and the Board will decide policy on a “meeting-by-meeting basis” with all directions in rates possible.

The Board only considered keeping rates at 3.6% at its November meeting but also discussed its strategy going forward. Neither a cut nor a hike were considered. Bullock observed that the Board thinks it is “pretty close to neutral”, which makes it difficult to assess the level of policy restrictiveness, and thus it doesn’t have a bias, which is consistent with its discussion around holding and its assessment that the risks are broadly balanced.

The jump in underlying inflation in Q3 was partly due to temporary factors, such as council rates, travel & fuel, but also because of more persistent items, such as dwelling costs & market services, which may be a signal that demand is exceeding supply. The trimmed mean forecasts were revised up to a peak of 3.2% in both Q4 2025 and Q2 2026 up from 2.6% in August due to the Q3 upside surprise but the quarterly rates are expected to begin gradually moderating from Q4. Underlying inflation is projected to return to the band by Q4 2026 and reach close to the 2.5% mid-point at 2.6% in Q2 2027, but as Bullock previously said the further out a forecast is, the greater the uncertainty. The important 2q/2q annualised rate should be back at 3% in Q1 and 2.6% in Q4, which may allow a rate cut from May if this eventuates. Headline CPI continues to be distorted by the timing of government electricity rebates, thus the focus remains on the underlying trimmed mean. Headline was revised up 0.3pp to 3.3% for Q4 and 0.6pp to 3.7% in Q2 2026 and is within the band in 2027.

The new complete monthly CPI will be released from 26 November but the RBA will continue to rely on the quarterly trimmed mean as it will take time for the seasonal factors to emerge. Q1 CPI is published on 29 April and will give an indication if the RBA’s expectations for Q2 are on track. The November Q2 trimmed mean 2q/2q forecast is 2.8% and this result is driven by a higher technical rate assumption than in August which still has one 25bp cut for H1 2026 but down from 75bp assumed in August.

In September, labour market conditions were overall “stable”, whereas this month they appeared “a little tight”, despite the 0.2pp rise in the last unemployment read. It also noted that surveys and liaison suggest “a significant share of firms are experiencing difficulty sourcing labour” and that forward looking indicators, such as vacancies and the quit rate, suggest the jobs market is more stable than the unemployment rate does alone. While the unemployment rate path was revised up 0.1pp to 4.4%, the Board doesn’t sound too concerned at this stage. Bullock noted that both inflation and unemployment rose more than the RBA expected, and as there is information in both, the Board remains cautious but a bit more concerned about getting inflation back in the band. It appears though that a surprising weakening of the labour market may drive further easing but only if underlying inflation is moderating back towards the band.

The growth outlook was little changed with Q4 2025 revised up 0.3pp to 2% but the rest of the path similar to August. Q4 consumption is 0.3pp higher at 2.1% supported by a lower savings rate and slightly stronger wage growth but higher inflation reduces real disposable income gains.

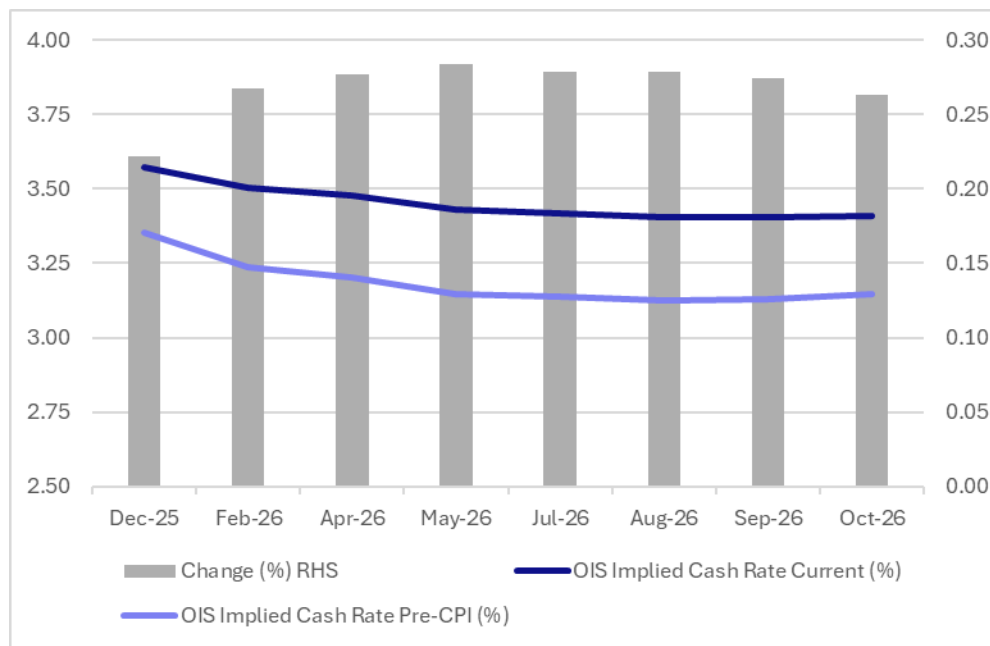
Bullock reiterated that rates didn’t rise as much in Australia as in other countries, therefore it is likely that the Board won’t need to cut as much either. For now, the Board believes it is where it needs to be and is in a position to respond to both upside and downside risks. Q3 inflation moved in the wrong direction and the RBA will need evidence that it is moderating again before it is likely to feel confident in discussing the resumption of monetary easing. If CPI tracks in line with its updated November forecasts, then it may feel comfortable to cut again around mid-2026, especially if the unemployment rate rises more than expected. Decisions will continue to be highly data dependent and “evidence” will be needed that the persistence in inflation has faded.

## Post-Meeting RBA Dated OIS Pricing

RBA-dated OIS pricing is little changed following this week's RBA Policy Decision.

- RBA-dated OIS pricing is showing a 25bp rate cut in December at a 10% probability, with a cumulative 18bps of easing priced by mid-2026.
- Notably, current pricing leaves levels some 22-26bps firmer than pre-Q3 CPI levels in late October.

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



Source: Bloomberg Finance LP / MNI

## RBA November 2025 Meeting Statement

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

### Inflation has recently picked up.

Inflation has fallen substantially since the peak in 2022, as higher interest rates have been working to bring aggregate demand and potential supply closer towards balance. More recently, however, inflation has picked up. Trimmed mean inflation was 1.0 per cent in the September quarter and 3.0 per cent over the year, up from 2.7 per cent over the year in the June quarter. This was materially higher than expected at the time of the *August Statement on Monetary Policy*. Headline inflation rose sharply to 3.2 per cent over the year in the September quarter, a large part of which was expected given the cessation of electricity rebates in a number of states.

The Board's judgement is that some of the increase in underlying inflation in the September quarter was due to temporary factors. The central forecast in the November *Statement on Monetary Policy*, which is based on a technical assumption of one more rate cut in 2026, has underlying inflation rising above 3 per cent in coming quarters before settling at 2.6 per cent in 2027.

### Domestic economic activity is recovering but the outlook remains uncertain.

Data on consumption suggest that the pick-up in private demand evident in the June quarter is ongoing. The housing market is continuing to strengthen, a sign that recent interest rate reductions are having an effect. Housing prices are rising and dwelling construction costs have also started to increase again after a period of weak growth. Credit is readily available to both households and businesses.

Various indicators suggest that labour market conditions remain a little tight, notwithstanding a recent easing. Growth in employment has slowed by slightly more than expected and the unemployment rate rose to 4.5 per cent in September from 4.3 per cent in August. But measures of labour underutilisation remain at low rates, job vacancies are still at a high level and business surveys and liaison continue to suggest that a significant share of firms are experiencing difficulty sourcing labour. Looking through quarterly volatility, wages growth has eased from its peak, but productivity growth has been weak and growth in unit labour costs remains high.

There are uncertainties about the outlook for domestic economic activity and inflation stemming from both domestic and international developments. On the domestic side, if the pick-up in private demand continues to exceed expectations, this could increase the demand for labour, add to capacity pressures and make it easier for businesses to pass on cost increases. Alternatively, the improvement in private demand might not persist.

Uncertainty in the global economy remains elevated but so far there has been minimal impact on overall growth and trade, and many forecasters have revised up their near-term expectations for world growth. Trade policy developments are still expected to have an adverse effect on world growth over time. Beyond tariffs, a broader range of geopolitical risks remain a threat to the global economy. This could all weigh on growth in aggregate demand and lead to weaker labour market conditions in the domestic economy.

There are also uncertainties regarding the assessment that monetary policy remains a little restrictive, the lags in the effect of recent monetary easing, the balance between aggregate demand and potential supply for goods and services, conditions in the labour market and the outlook for productivity growth. These uncertainties present risks in both directions to the inflation and employment outlook.

**Maintaining price stability and full employment is the priority.**

The recent data on inflation suggest that some inflationary pressure may remain in the economy. With private demand recovering and labour market conditions still appearing a little tight, the Board decided that it was appropriate to maintain the cash rate at its current level at this meeting. Financial conditions have eased since the beginning of the year, but it will take some time to see the full effects of earlier cash rate reductions. Given this, and the recent evidence of more persistent inflation, the Board judged that it was appropriate to remain cautious, updating its view of the outlook as the data evolve. The Board remains alert to the heightened level of uncertainty about the outlook in both directions.

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.

**Decision**

Today's policy decision was unanimous.

\*red marks the changes to the statement from September



## MNI RBA Watch: Bullock Strikes Cautious Tone Following Pause

By Daniel O'Leary

MELBOURNE - The Reserve Bank of Australia may not need to ease as much as its peers, Governor Michele Bullock said on Tuesday after the Board unanimously decided to hold the cash rate at 3.6%.

"We do see elevated inflation in the first 12 months because of the most recent numbers," Bullock said, referring to the [September quarter's 3% trimmed mean result](#), which largely drove Tuesday's widely-anticipated decision. (See [MNI RBA WATCH: Board To Hold, Push Out Midpoint Return](#)) "That's baked in now, and then we see the quarterly numbers starting to come off and delivering an inflation rate of around 2.6% by the end of the period. But there's a great deal of uncertainty."

[While the RBA's updated forecasts](#) are based on at least one more cash rate cut, Bullock noted that keeping rates at 3.6% would push inflation toward the 2.5% target midpoint more quickly.

"The Board is watching very carefully. We think we're pretty close to neutral ... we may be a little bit restrictive, we may not. So there may be a slight decrease, there may not. The Board is going meeting by meeting, using data to inform that outlook," she said. "If that outlook doesn't look reasonable, they'll change their mind. We don't have a bias."

Bullock's remarks triggered volatility in Australian dollar overnight index swaps as traders struggled to price the RBA's next move. Markets currently expect the cash rate to remain unchanged until at least mid-2026, with pricing shifting toward a September cut as the day progressed.

The Board has held the cash rate steady since its 25bp cut in August.

### EXCESS DEMAND

Bullock said the economy had probably retained more demand than previously expected, which continued to drive inflation, particularly in market services and new-dwelling costs.

She added that much of Q3's inflation, with underlying rising 1% q/q, was likely driven by temporary factors that should moderate in quarterly terms through 2026. However, the year-ended figure will hover around 3% due to the third quarter's outsized impact.

Monetary policy remains tight despite mixed signals on financial conditions, she reiterated.

"Some things, like credit spreads and equity markets, suggest things are a little bit easy. Other things, like the amount of disposable income people are putting into their mortgages and the credit-to-disposable-income ratio, suggest things are a little bit tighter," she said.

"We still judge we're marginally on the tight side, and that's what's baked into the forecast. But it's also true that the forecast only comes back to 2.6%, so the Board will have to wait and see. It's possible there are no more rate cuts. It's possible there are some more. But as I said earlier, we didn't go up as high, so we might not have to come down as far."

### LABOUR MARKET STABILITY

Bullock said forward-looking labour market indicators remain relatively optimistic, noting September's unemployment spike to 4.5% may have been data volatility. (See [MNI: RBA To Remain Cautious Despite Unemployment Surge](#))

"Those indicators suggest there's a bit more stability in the labour market than you might think just from seeing the unemployment rate move from 4.3% to 4.5%. We're conscious of risks on both sides, but for now, our best guess is that the unemployment rate will remain reasonably stable from here."

The RBA Board next meets Dec 9.

## Sell-Side Analyst Views

**ANZ:** "As was widely expected the RBA's Monetary Policy Board left the cash rate at 3.60% in a unanimous decision. The tone to the post-meeting statement was a little less hawkish than might have been expected."

- "Our view remains that a final 25bp easing in the first half of 2026 is the most likely path for monetary policy. That said, there is a risk that the final rate cut we expect in February could end up occurring later (possibly May, after the next two quarterly CPIs)."
- "Our expectation of one more rate cut reflects some recent signs of softening in leading indicators of activity (such as the ANZ-Indeed Australian Job Ads series) and a view that the Q3 inflation result was likely to have been a 'one-off'."
- "That underlying inflation will, on the RBA's forecasts in the Statement on Monetary Policy (SMP), rise above 3% for the next few quarters is largely a function of the stronger starting point following the Q3 CPI. The trimmed mean forecasts to the June quarter of 2026 imply a 0.8% q/q outcome in Q4 2025, followed by two 0.7% prints. Further out, the RBA expects the broader disinflation process to continue."
- The RBA's GDP growth and unemployment rate forecasts for 2026 show a marginally slower pace of growth and a higher unemployment rate than the August set. The slightly higher unemployment rate forecast is not a surprise, although it does imply that the RBA does not expect the recent move higher in the unemployment rate to run any further."
- The stance of policy is described as "a little restrictive" (albeit with uncertainties), while "various indicators suggest that labour market conditions remain a little tight, notwithstanding a recent easing". Risks are seen "in both directions to the inflation and employment outlook".

**CBA:** "The RBA Board today left the cash rate on hold at 3.60% as expected. It was a unanimous decision by the Monetary Policy Board. The statement did not read as hawkish as it could have given the material upside surprise in recent inflation data. Instead a cautious approach is being taken by the Board. The signal taken from the upside to inflation was somewhat explained away by temporary factors."

- "We expect the RBA to hold the cash rate steady from here given our view the economy picks up to a little above trend growth in coming quarters and inflation remaining above target."
- "Forecast trimmed mean CPI was revised up in coming quarters to peak at 3.2% before coming back down to 2.7% at the end of 2026. By the end of 2027 trimmed mean CPI is expected to reach 2.6%."
- GDP growth forecasts were little changed with growth assumed to be around the RBA's estimate of potential over the forecast horizon. The unemployment rate is expected to sit at 4.4% till the end of 2027, up from 4.3%."
- The forecasts are predicated on one more rate cut. But the Governor pushed back on the prospects of further easing in monetary policy being a done deal. The data flow from here will be crucial, particularly the inflation data."

**CIBC:** "The RBA board voted unanimously to leave the cash rate unchanged as widely expected. The statement was mostly hawkish, but the market (which expected a hawkish stance) was mildly disappointed by wording which noted that "some of the increase in underlying inflation in Q3 was due to temporary factors." AUD/USD fell by 0.25% to 0.6520 in reaction to that phrasing. The SOMP was mildly hawkish in its forecasts - trimmed mean CPI is not expected to return to target until December 2026. AUD/USD later recovered back to 0.6535 heading into RBA Governor Bullock's press conference. As usual, the governor declined to give forward guidance. The Aussie continued declined amidst the risk-off in the afternoon, and AUD/USD ended the day 0.6% lower to 0.6495."

**Goldman Sachs:** "The RBA left the cash rate unchanged at 3.60% at November's meeting, in line with expectations (GSe/BBG: 3.60%). The decision was "unanimous" among board members."

- "In her post-meeting press conference RBA Governor Bullock reiterated that the Monetary Policy Board (MPB) unanimously decided to keep the policy rate unchanged at 3.60% today, adding that the MPB did not consider a rate cut at the meeting. The Governor's Q&A responses underscored the RBA's uncertainty on how to interpret recent material upside surprises in inflation & unemployment, whether financial

conditions are restrictive, the lags of monetary policy, potential capacity constraints, and the outlook for monetary policy.

- Overall, in the context of today's major upward revision to forecast inflation, we interpret the Governor's comments as confirming a fairly high bar for the RBA to cut rates again in the near term – absent an unexpected breakdown in labour market conditions.
- Given the size of the upside surprise in 3Q2025 CPI, we expect at least two benign quarterly CPI reports will be required for the RBA to be in a position to consider further easing – making May 2026 the earliest possibility. We don't view further policy easing as the most likely scenario as we expect Australia's economic recovery will be more entrenched by that point - however, the balance of risks to our base case remain skewed to the downside given risks around the ongoing rebalancing of growth and employment towards the private sector."
- "The RBA observed "evidence of more persistent inflation", characterized the labour market as "a little tight", and noted "a mixed picture of financial conditions, consistent with policy now being closer to neutral estimates" and the cash rate "now below some models' central estimates of the neutral rate." Overall, the statement increased emphasis on a "heightened level of uncertainty in both directions".

**J.P.Morgan:** "The RBA largely delivered on expectations at today's meeting, leaving the cash rate on hold at 3.60% in a unanimous decision. The staff raised its core inflation and unemployment forecasts, the former by a hefty 0.6%-pt in the front of the projections. The inflation target mid-point is not achieved in the forecast period, with the trimmed mean ending 2027 at 2.6%.

- The forecast is conditioned on market pricing which even after the sell-off still implies one more cut. The implication is that further easing is not fully consistent with the target, a tension Governor Bullock made explicit several times during the press conference, noting the board "does not have a bias".
- "We continue to see the board on hold at 3.60% reflecting balance in its objectives. While the door is not completely closed on cuts, they are hard to see near-term in the absence of a global catalyst. Even though the projections provide a little wriggle-room on unemployment, in the sense that consolidation at the 'spot' unemployment rate would be a touch above the staff's forecasts, this is unlikely to resolve the inflation issue near-term and the board still considers the labour market "a little tight".
- "The concluding section cited "evidence of more persistent inflation" beyond that effect, and that "some inflationary pressure may remain in the economy". Financial conditions "have eased since the beginning of the year", and the board also seems less sure of the starting position, noting "uncertainties regarding the assessment that monetary policy remains a little restrictive".

**TD Securities:** "The RBA kept the cash rate on hold at 3.60% as was widely expected but the RBA Statement fell short of the hawkish risks we flagged. The Bank acknowledged '....recent evidence of more persistent inflation', but also citing temporary factors driving the spike it concludes there is 'heightened level of uncertainty about the outlook in both directions'.

- At face value headline and trimmed mean inflation sporting a '3' handle in 2026 appear difficult to justify RBA easing next year. However the unemployment rate at 4.4% sets a low bar for the Bank to ease. We retain cuts in May and Aug'26 given our view the unemployment rate tracks higher over 2026."

**Westpac:** "RBA holds cash rate steady at 3.6% in November, expects some of the recent rise in inflation to be temporary but partly also a signal of capacity pressures. No near-term moves likely, with a cautious Board assessing the extent of spare capacity."

- "Relative to the RBA, Westpac expects inflation to subside more quickly with slightly more slack in the labour market and a marginally softer profile for public demand growth. That in turn gives scope for additional policy easing driving a firmer medium term growth path for demand."
- "The September quarter inflation shock lifted the near-term inflation outlook. Some of this increase is seen as temporary, such that the RBA's trimmed mean inflation forecast is back near the midpoint of the 2–3% target range by mid-2027. But the MPB remains cautious given recent evidence of "more persistent inflation".



- “While the RBA, appropriately, expects inflation to be lower once the September quarter spike has washed through, it is cautious about the outlook and likely to remain on hold until inflation falls below the target midpoint, or the labour market eases more than it currently expects.”
- In the media conference following the meeting, the Governor characterised the MPB as having no bias and that it will be taking things meeting by meeting from here. The stance of policy was seen as “pretty close to neutral”, though the closer you are to that point, the harder it is to gauge what side of a very fuzzy line you are on.”
- “Overall, the language was not as hawkish as it could have been. The RBA acknowledged that some of the latest inflation spike was temporary, and an increase in the cash rate was not considered. Still, with a technical assumption of one rate cut mid next year resulting in an inflation forecast that is not quite at the target midpoint, the MPB must be assumed to be on hold until something happens to change that forecast.”
- “In its annual forecast review included in the Statement on Monetary Policy (SMP), it also acknowledged an alternative explanation: that firms used the recent pick-up in domestic demand to recover earlier margin compression. This could mean that inflation remains a little elevated in the near term. Without household income growth also picking up, though, further widening in margins would result in a renewed squeeze on household spending power. That would see the recovery in private demand growth falter later on.”

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