

MNI RBA Review – September 2025

Meeting Date: Tuesday, 30 September 2025

Link To Statement: <https://www.rba.gov.au/media-releases/2025/mr-25-27.html>

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MNI POV (Point of View): Even More Data Dependent

The RBA decided to leave rates at 3.6% in a unanimous vote, which was widely expected. Its tone was generally more cautious than in August and it is definitely keeping its options open regarding future decisions with Governor Bullock not committing to an easing or neutral bias in the press conference. She said decisions will be highly data and outlook dependent and made on a meeting-by-meeting basis. The Board is concerned that market services inflation could be sticky, as has occurred overseas, while there are “signs that private demand is recovering” and that the labour market is “stable”.

Given heightened uncertainty, the updated growth and inflation outlook in the November staff forecasts will be key for the next decision. The Board stated it will update “its view of the outlook as the data evolve” signalling that it is even more data dependent. Q3 CPI is published on 29 October and September jobs data on 16 October but there are also consumer and business confidence on October 7 and 14 respectively, and August & September household consumption on October 2 and November 3. These releases will be important for how they impact the RBA’s forecast profile especially for trimmed mean inflation. The impact of the likely higher-than-expected Q3 CPI print may be offset by less easing priced in by the OIS market than in August. The key to the policy outlook will be if inflation is revised higher across the horizon or just near term. Bullock made it clear that 2.5% is the Board’s target but if it looks like it will be missed then the Board will have to re-evaluate its stance. Bullock said that monetary policy is “a bit restrictive” but the bank doesn’t know how restrictive it is but it’s neither “very restrictive” nor expansionary.

She also stated that it is “good news” that activity is picking up but the Board will watch what this means for inflation and employment going forward. The recovery in Q2 private demand was stronger than expected, especially consumption, which may reflect increased household wealth and a willingness to spend more of real income gains. Therefore, the risk is that firms will find it easier to pass on higher costs, although there is no evidence of this yet, and increase hiring. The Board believes the labour market has stabilised though and observed that employment growth had slowed “slightly more than expected”. It continued to state that productivity growth is weak.

Bullock said that while the monthly CPI is volatile, it still contains information but shouldn’t be taken at face value. The RBA is concerned about market services inflation as it reflects labour market trends and has also been sticky overseas. It will now reassess how far it has it moderating in its projections. While the quarterly CPI is its preferred measure, the Board recognised this month that Q3 inflation “may be higher than expected” in August.

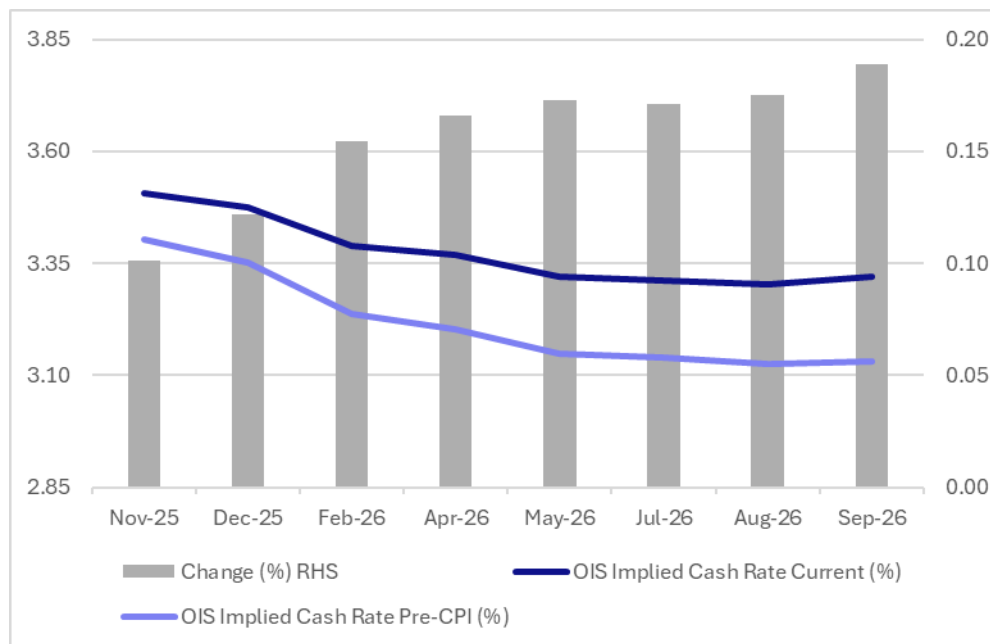
The RBA observed that there are signs the previous 75bp of easing are having an effect with financial conditions easier, credit “readily available” and the “housing market strengthening”. More time is needed though to see the full effect and data across these areas are likely to be monitored closely. Thus, it doesn’t appear in a hurry to resume easing and if inflation forecasts exceed 2.5% with the recovery continuing and the labour market remaining in balance, then the cash rate could be close to a trough, if it isn’t already there.

Post-Meeting RBA Dated OIS Pricing

RBA-dated OIS pricing has firmed modestly across meetings following yesterday's RBA Policy Decision.

- At the time of writing, pricing across meetings was 1-4bps firmer than yesterday's pre-RBA levels.
- Notably, this post-RBA move leaves pricing some 10-19bps firmer than last Wednesday's pre-CPI levels.
- A 25bp rate cut in November is given a 35% probability, with a cumulative 11bps of easing priced by year-end.

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



Source: Bloomberg Finance LP / MNI

RBA September 2025 Meeting Statement

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

The decline in underlying inflation has slowed.

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. Both headline and trimmed mean inflation were within the 2–3 per cent range in the June quarter. Recent data, while partial and volatile, suggest that inflation in the September quarter may be higher than expected at the time of the August *Statement on Monetary Policy*.

Domestic economic activity is recovering but the outlook remains uncertain.

Data for the June quarter show that private demand is recovering a little more rapidly than expected, taking over from public demand as the driver of growth. In particular, private consumption is picking up as real household incomes rise and measures of financial conditions ease. The housing market is strengthening, a sign that recent interest rate decreases are having an effect. Credit is readily available to both households and businesses.

Various indicators suggest that labour market conditions have been broadly steady in recent months and remain a little tight. Growth in employment has slowed by slightly more than expected, but the unemployment rate was unchanged at 4.2 per cent in August. Measures of labour underutilisation remain at low rates and business surveys and liaison suggest that availability of labour has been little changed of late. 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, stronger-than-expected data on growth and inflation may indicate that households have become more comfortable consuming as real incomes and wealth rise. If this continues, it may make it easier for businesses to pass on cost increases and lead to more demand for labour. Alternatively, the recent growth in consumption might not persist, particularly if households become more concerned about overseas developments.

Uncertainty in the global economy remains elevated. There is a little more clarity on the scope and scale of US tariffs and policy responses in other countries, suggesting that more extreme outcomes are likely to be avoided. Trade policy developments are nevertheless still expected to have an adverse effect on global economic 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 lags in the effect of recent monetary policy easing, the balance between aggregate demand and potential supply for goods and services, conditions in the labour market and the outlook for productivity.

Maintaining price stability and full employment is the priority.

With signs that private demand is recovering, indications that inflation may be persistent in some areas and labour market conditions overall remaining stable, 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 and this seems to be having some impact, but it will take some time to see the full effects of earlier cash rate reductions. 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. It noted that monetary policy is well placed to respond decisively to international developments if they were to have material implications for activity and inflation in Australia.

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.

MNI RBA Watch: Bullock Declines To Confirm Easing Bias

By Daniel O'Leary

MELBOURNE - Governor Michele Bullock declined to say whether the Reserve Bank of Australia retains an easing bias after the Board held the cash rate at 3.6% on Tuesday, stressing that future moves will depend on incoming data, with the current level still viewed as slightly restrictive.

"We have to be data dependent," Bullock told reporters following the largely-anticipated decision. All we've got to go on, because we don't know what neutral is, is observing inflation, employment and what's happening in the economy. We've had three cuts already this year, and we know there's some impact starting to happen, but also more to come." (See [MNI RBA WATCH: On Hold, Eyeing Further Labour, CPI Data](#))

[The Board's statement](#) and Bullock's emphasis on data saw markets pare back expectations of a November cut to about 40% from about 50% before the meeting, with a cumulative 14 basis points of easing expected by year-end, down from 17bp. The RBA lowered the cash rate 25bp in August, taking this cycle's easing to a cumulative 75bp. (See [MNI RBA WATCH: Bullock Points Toward Further Cuts](#))

WEALTH EFFECTS

Bullock highlighted stronger wealth effects from rising housing and asset prices, which could lift consumption and support growth. However, the RBA could still lower rates if the labour market loosens further and supply-demand imbalances ease, she said, with decisions dependent on forecasts and forward-looking indicators.

Inflation returning to the 2-3% target band alongside stable employment represented "a positive situation" for the economy, she stated. "We've got employment around full employment, maybe a little tight, and that is all really good news. I can't say what that means for next month, because it is going to depend on what the data tell us, and we're going to have to wait for that."

Bullock also outlined upside and downside risks. A stronger rebound in household spending, supported by higher real incomes and wealth, could drive a more robust recovery. "If that means we don't lower interest rates further, then I wouldn't say that's necessarily a bad news story."

Conversely, lingering global uncertainties and weak consumer confidence could weigh on growth and jobs, she noted. "We know that consumer confidence is still a little bit on the low side, so it's possible that upside doesn't eventuate... and that affects the employment market. That would have different implications potentially for monetary policy."

The labour market has eased but remains relatively tight, with the unemployment rate steady at 4.2% in August, she continued, adding that forward indicators, such as vacancies, did not point to large-scale layoffs.

MONTHLY CPI

Bullock welcomed the publication of full monthly CPI data set to launch in November, but reiterated the Bank's preference for quarterly results, noting the new series would require a transition period as seasonal patterns are established.

The Australian Bureau of Statistics currently provides a limited monthly CPI indicator, which the RBA has repeatedly labelled volatile. The Bank will continue to focus on the quarterly trimmed mean as its preferred measure of underlying inflation, Bullock said.

Sell-Side Analyst Views

ANZ: “As was widely expected, the RBA’s Monetary Policy Board left the cash rate unchanged at 3.60%. The decision was unanimous. Overall, the post-meeting statement is a little more hawkish than we’d expected and heightens the risk evident after the August monthly CPI indicator that the November meeting passes without a rate cut. Absent a ‘shock’, the tone of today’s post-meeting statement also suggests that we are quite close to the end of the easing cycle.

- Since we moved to a 3.35% ‘terminal’ cash rate in April, our confidence that this represents the end point for this cycle remains higher than our conviction on the exact timing. The key data between now and the November Monetary Policy Board meeting are the September labour force release, household spending data and the Q3 CPI. We are maintaining our November rate cut call ahead of those data points.
- We also retain our view that once the cash rate reaches 3.35% it is likely to stay at that level for a considerable period. Should the Board not ease this year, there is a risk the recovery in private demand stalls a little and sees the Board ease one final time in the first half of 2026 (instead of in late 2025).”
- “On the labour market the statement is a little more hawkish than we’d thought. We would argue that the labour market has eased slightly in recent months, but the RBA sees conditions as “steady in recent months” with the description of the labour market being “a little tight” unchanged from August.”
- “The overall assessment toward the end of the statement suggests a high degree of caution on the part of the Board around near-term rate reductions. With signs that private demand is recovering, indications that inflation may be persistent in some areas and labour market conditions overall remaining stable, the Board decided that it was appropriate to maintain the cash rate at its current level at this meeting.”

CBA: “The RBA Monetary Policy Board left the cash rate on hold as was widely expected at 3.60%. The statement read on the hawkish side, reflecting stronger activity data and upside surprises on monthly inflation. It was a unanimous decision to leave the cash rate on hold. We upgrade our Q3 trimmed mean forecast to 0.8%/qtr and 2.7%/yr. As a result, we now expect the RBA to hold the cash rate steady in November. ... We expect the RBA to ease the cash rate one more time still and now expect this in February 2026.”

- “Broader price indicators in the economy suggest inflation should moderate again after a stronger September quarter print.”
- “Given the cautious and gradual easing cycle so far, we expect the RBA will want to wait and see evidence that inflation continues to head towards the mid-point of the target band before easing further. By February the Q4 CPI print will be available, as will further evidence of how the economy has responded to the three rate cuts to date.
- One last rate cut is not guaranteed though and the risks are building of a longer period with rates on hold. The Governor noted in the press conference that the RBA has to aim for inflation at 2.5%. It won’t be enough for inflation to sit above this target over the forecast horizon.”
- “If evidence builds that inflation will sit above the mid-point, and businesses are able to pass on higher costs given an improved demand outlook, the cash rate may end up settling at slightly restrictive levels.
- The press conference also highlighted the RBA is watching inflation developments offshore. The Governor highlighted sticky services inflation offshore and this could be giving the Board food for thought.”

CIBC: “The RBA voted unanimously to keep the cash rate unchanged at 3.60% (as widely expected). The statement was relatively upbeat on current economic indicators, noting that “stronger-than-expected data on growth and inflation may indicate that households have become more comfortable consuming as real incomes and wealth rise. If this continues, it may make it easier for businesses to pass on cost increases and lead to more demand for labour”. As a result of those upside risks to inflation, the statement concluded that “it was appropriate to remain cautious,” and that the RBA board would “update its view of the outlook as the data evolve.””

- “Governor Bullock would not confirm whether the RBA has a neutral stance or an easing bias, but her admission that policy “is still a bit restrictive” still hints at gradual rate cuts in 2026. After the likely November hold, we think the next quarterly SOMP update (in February 2026) will be the likely timing of the next RBA cut.”
- “Stable unemployment means the RBA can take its time. As such, Governor Bullock’s refusal to give clues for a November rate cut is understandable; economic stability (for now) means the RBA should “save its

bullets.” Meanwhile, the uncertainty from tariffs on global trade means that a November (or early 2026) rate cut cannot be ruled out.

- When pressed by reporters on whether the RBA’s current stance is “neutral” or “easing”, Governor Bullock again demurred and emphasized the RBA’s “meeting-by-meeting” approach. She was also ambiguous on the current restrictiveness of the current cash rate, noting that the RBA “doesn’t [precisely] know how restrictive we are.” She later added that she felt that the current cash rate level “is still a bit restrictive.””

Goldman Sachs: “The RBA left the cash rate unchanged at 3.60% at September’s meeting, in line with economist expectations (GSe/BBG: 3.60%). The decision was “unanimous” among board members. As expected, the final paragraph of the statement was essentially unchanged and maintained a strong emphasis on data dependence (the RBA will “be attentive to the data ... and risks to guide its decisions”). On balance, however, we view the tone of RBA commentary around “stronger-than-expected data on growth and inflation” - including a reference to “indications that inflation may be persistent in some areas” - as a little more hawkish than we were expecting.”

- “We still lean towards a rate cut at November’s Board meeting for several reasons. Firstly, we do not expect Q3 inflation to surprise sufficiently to the upside to derail the RBA’s medium term forecasts for on-target inflation. Second, we do not view the labour market as inflationary and expect conditions will continue to gradually soften. And third, we expect less restrictive policy settings will be required to sustain the rebalancing of growth towards the private sector. That said, we acknowledge that a rate cut as soon as November has become a close call and likely hinges on the outcome of the Q3 CPI report.”
- “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. In contrast to last month’s endorsement of then market pricing for “two slash three” more rate cuts, today’s press conference marked a much less dovish tone – on account of the upside surprise in last week’s monthly CPI data which has made the MPB “a little bit cautious”.”

ING: “The Reserve Bank of Australia held rates unchanged and struck a moderately hawkish tone in the statement and press conference. Governor Michele Bullock reiterated increased concerns about price stickiness, despite admitting to monthly CPI volatility. The sturdy jobs market is also playing a role in the more hawkish assessment, in spite of non-negligible economic uncertainty. Markets are now pricing in only 10bp of easing for the November meeting and 13bp by December. Our call remains that the RBA should cut again in the fourth quarter, but risks are now more balanced.”

J.P.Morgan: “The RBA kept the cash rate steady at 3.60% as expected at today’s meeting, a unanimous decision, widely expected and in line with JPM forecasts. The statement shifted in a hawkish direction, particularly the second last paragraph which acknowledged the upside surprise on monthly inflation.”

- “The one change to the boiler-plate final paragraph adds the word “outlook” to the assessment of “risks”, in guiding the board’s decisions. This nods toward the baseline forecasts, suggesting there isn’t much tolerance for hawkish revisions at the November SoMP, without shifting the board’s bias to neutral. It now looks even more likely that both the cut and hold scenarios next meeting will come with a relatively neutral bias thereafter.
- We have argued the soft landing has been achieved, such that the easing cycle is nearly done. The case for the final cut is always a delicate one, and November rests on the central bank’s forecast showing that core inflation in the upper half of the band will be offset over time by the unemployment rate ticking higher from here.”
- “It seems the information on market services and housing-related prices in recent CPI data is making the leadership fear that the labour market (which is most influential for these groups) is still too tight.”
- “The description of risks skews hawkish, in that the downside domestic scenario now requires something to change from its current trajectory, particularly via households becoming cautious again in the face of global concerns.”

MUFG: “The RBA decided to leave their policy rate unchanged at 3.60% following on from the 25bps cut in August. While the decision to leave rates on hold today was expected, the updated communication from the RBA expressed a little more caution over the need for further rate cuts in the near-term.

- RBA Governor Bullock stated that the labour market remains solid and is still a “little tight”. It comes at a time as well when a couple of the CPI components are a “little higher” than expected. She emphasized the RBA “need to be a little cautious”. Recent data has indicated upward inflation pressure although it remains within their target range. The RBA flagged the risk that inflation in Q3 maybe higher than expected.
- We expect the RBA to stick to gradual rate cuts and deliver another cut at the next meeting in November. However, there is a higher risk now that the RBA could choose to skip the meeting by leaving rates on hold a little longer. Governor Bullock stated that they will decide in November whether to cut rates or leave on hold after looking at the incoming data.”

TD Securities: “Today's Statement struck a hawkish tone, opening the possibility of no further rate cuts this year. The Bank highlighted stronger than expected growth and inflation, a firm housing market and the risk of persistent price pressures. The messaging was more hawkish than last week's RBA's commentary to the House of Representatives Economics Committee. With recent cuts seen as having an effect but the full effects yet to play out, the RBA does not appear in any pressing need to cut.”

- “A pause is appearing more likely considering core inflation in Australia exceeds its peers.”
- The “commentary around the possibility of businesses potentially passing on cost increases is new and suggests the RBA's confidence on inflation remaining contained is perhaps lower than it was in August.”
- “The Governor tied the pick up in market services inflation to the labour market and that if the offshore experience is a guide that it probably warrants the RBA exercising some caution.”

Westpac: “RBA Monetary Policy Board (MPB) keeps cash rate on hold at 3.6%, citing recovering private sector demand, an assessment that labour market conditions are stable, and the possibility that inflation might remain persistent in some areas.”

- “The MPB is clearly trying to give itself maximum optionality for the next few meetings. This means that our current base case of a cash rate cut in November is far from assured, though neither is it off the table. The longer the MPB delays further cuts, the more likely it is that it will end up cutting by more than it current envisages.”
- “The post-meeting statement was notably cautious and non-committal about the outlook. It also flagged that the MPB would review the outlook (as well as the risks, as in the language in August) in light of the incoming data. Maximum optionality has been retained but in our view, the choice is still when to cut further, not whether. With monetary policy still seen as ‘a bit restrictive’, the rate-cutting phase is not over.”
- “This was a remarkably non-committal set of communications, making no mention of the previous forecasts being predicated on further cuts to the cash rate. The Governor mentioned that monetary policy is ‘still a bit restrictive’ in the media conference but there was no clear mention of the stance of policy in the post-meeting statement. If there was a skew to the messaging, it was in the direction of highlighting inflation risks. The RBA considers that the easier financial conditions stemming from the prior cash rate cuts are working their way through the economy broadly as expected, and that this will take time to be fully evident.”

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