

RBA Update September 2026

At its meeting today, the Reserve Bank of Australia (RBA) Monetary Policy Board increased the cash rate by 25 basis points to 4.60%, its highest level since October 2011.

The decision was widely expected by markets and was unanimous.

Post-meeting Statement

The Monetary Policy Board's post-meeting statement was revised significantly from the previous month and was somewhat more hawkish.

The Board reiterated that inflation 'remains elevated' and is 'too high', with the broadening Middle East conflict and elevated global energy prices adding more inflationary pressure than envisaged in the August projection.

The central bank noted that higher fuel prices have been partly passed on to prices of other goods and services.

The RBA also drew attention to additional global inflationary pressure from increased demand for components related to the artificial intelligence boom.

The central bank continues to assess that domestic capacity pressures are adding to inflation and noted that short-term inflation expectations remain elevated.

The Board noted that economic growth had slowed, though marginally and by less than hoped. It assessed that the recent easing in labour market conditions was 'broadly' in line with expectations.

The RBA stressed that uncertainty remains high, with some upside risks to inflation already materialising.

In its forward guidance, the RBA replaced the previous condition of upside risks materialising with a broader statement that the cash rate could rise 'if needed', implying a greater chance of further tightening.

Press Conference

At the press conference, RBA Governor Michele Bullock reiterated these points but softened the statement's hawkish tone.

She noted that, including today's hike, the RBA has increased the cash rate four times this year. She assessed financial conditions as 'a little bit restrictive', citing a rise in the ratio of mortgage payments to disposable income, a housing market correction and estimates that the cash rate is above its neutral level. She hoped policy was now restrictive enough to lower inflation, which would make further increases unnecessary.

The press conference also contained hawkish elements. First, Governor Bullock said high inflation expectations must not become embedded. Second, repeating points from a recent fireside chat, she said labour market conditions must ease to levels consistent with price stability. Third, she reiterated that the artificial intelligence boom was adding not just to global, but also domestic demand pressures.

Market Impact

The cash rate increase was priced in, but the hawkish post-meeting statement prompted a short-lived spike in government bond yields and the AUD/USD.

These moves were reversed during the press conference, when Governor Bullock suggested further tightening might not be needed.

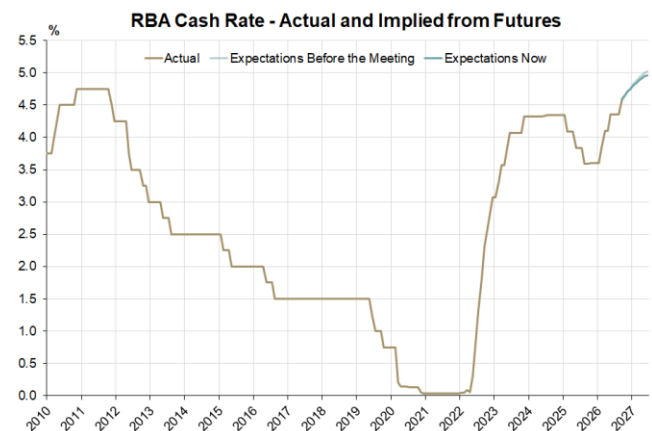
Three-year Commonwealth bond yields initially surged from 5.01% to 5.05%, but began to fall during the press conference and were at 4.97% at the time of writing.

Similarly, 10-year Commonwealth bond yields initially rose from 5.41% to 5.43%, but were trading at 5.37% at the time of writing.

The AUD/USD briefly rose from US\$0.7008 to US\$0.7029 after the decision. The press conference then pushed it below US\$0.70, to US\$0.6995 at the time of writing.

The ASX 200 was trading marginally higher before the decision but slipped into the red following the post-meeting statement. It eventually closed 0.3% higher for the day.

Overall, however, cash rate expectations were little changed. Markets still price in one more hike, with around a 45% chance of a move in November and around a 40% chance of another hike thereafter.



Comment

As expected, the RBA increased the cash rate to a 15-year high today, but it was the communication surrounding the meeting that caused much of the stir.

The statement was hawkish, but the press conference was interpreted as less so, pushing bond yields lower. Overall, the RBA remains focused on price stability and will act as needed while monitoring incoming data, starting with tomorrow's CPI report.

We see another rate hike as a risk, but not a done deal, as evidence of easing demand pressures builds amid slowing growth in [GDP](#) and [household spending](#).

29 September 2026