RBA Update November 2025

The Reserve Bank of Australia (RBA) Monetary Policy Board kept interest rates unchanged at its November meeting, with the cash rate target remaining at 3.60% and the interest rate on Exchange Settlement balances staying at 3.50%.

The decision was in line with market expectations.

Post-meeting Statement

The post-meeting statement was altered substantially from the previous month, highlighting that:

- underlying inflation has picked up, to be higher than expected by the RBA in their August projection, but 'some of the increase' was due to 'temporary factors';
- despite the recent signs of easing, evidenced by slowdown in employment growth and rise in the unemployment rate, the labour market overall remains 'a little tight';
- domestic activity is recovering, but the outlook is still uncertain, as is the assessment about the degree of monetary policy restrictiveness.

Despite changes in the economic assessment in the statement, forward guidance was largely unchanged, with further decisions remaining data-dependent.

Statement on Monetary Policy

The November economic projections were revised quite substantially compared to the previous round in August:

- trimmed mean inflation is now forecast to increase to 3.2% towards the end of 2025, before declining back to 2.7% in late 2026 and 2.6% in 2027 (compared to a steady forecast of 2.6% across the forecast horizon in August);
- the unemployment rate is now expected to peak at 4.4% rather than 4.3%; and
- the 2025 GDP growth forecast was revised upwards, to 2.0%, with GDP expected to grow at roughly the same pace through the end of projection horizon.

The projections were prepared under an assumption of one more 25bps cash rate cut in 2026.

Apart from updated projections, the Statement included three boxes. The first box included insights from liaison that suggested a slight pick-up in private consumption, steady business investment, improvement in residential building conditions, further growth in employment, and above-average selling price inflation.

The remaining two boxes provided an annual review of forecasts and an explanation of the transition to a complete monthly CPI. The latter box confirmed that they will be the new target for RBA monetary policy, but stressed that it will take some time for the central bank to learn about its properties, particularly with regards to trimmed mean inflation.

Press Conference

In the press conference, RBA Governor Michele Bullock reiterated all the above information, and added that:

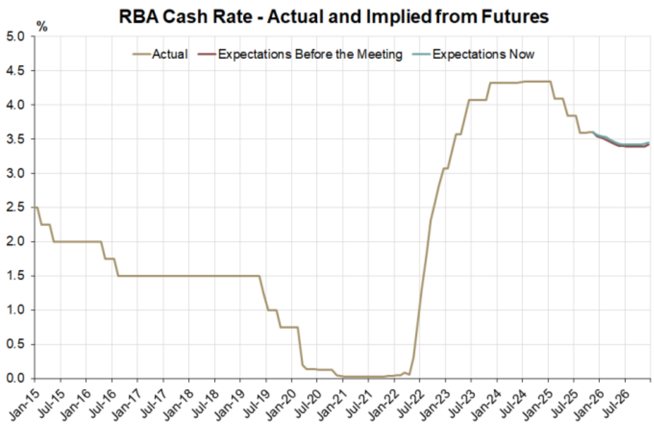
- there may still be excess demand in the economy, posing an upside risk to inflation;
- while the updated projection envisages underlying inflation to spike above the target range only temporarily, forecasts do get more uncertain over longer horizon;
- 'just below 3%' is not good enough – if underlying inflation does not show signs of declining towards the middle of the 2-3% target range, monetary policy will be reconsidered;
- a rate cut was not considered at the meeting, and there may be no more cuts in this cycle.

Market Impact

Markets reacted calmly to the RBA turning slightly more hawkish today.

3-year Commonwealth bond yields initially dropped from 3.66% to 3.61% after the decision, before climbing back to 3.67% at the time of writing. 10-year yields having fallen to 4.32%, quickly returned to 4.35%.

The AUD remained directionless around US$0.653 just after the decision and during the press conference, but has depreciated below US$0.651 since.



Comment

The RBA appears to have reached or be reaching the end of the current easing cycle. At the press conference, RBA Governor Michele Bullock said twice that – just like the rates were not increased as much as in many other advanced economies – they may not need to be lowered to the same extent either. The RBA's attention is now back on inflation risks, especially since, as also acknowledged by Governor Bullock, the factors that led to the recent upside surprise in inflation, such as services and housing, tend to be more persistent. We expect the RBA to stay put in the coming months and resume cutting only after the inflation outlook becomes more favourable.

04 November 2025