RBA Update November 2026

At its meeting today, the Reserve Bank of Australia (RBA) Monetary Policy Board increased the cash rate by 25 basis points to an 18-year high of 4.85%. The decision was in line with market expectations.

Today's decision was not unanimous, with six Board members voting for a 25-basis point rate hike and three preferring no change.

Post-meeting Statement

The Board's post-meeting statement remained hawkish.

Most importantly, the Board explicitly said that inflation is not only elevated but also broad-based, and that the inflation projection had been revised 'materially higher'. The statement reiterated that inflation reflects not only higher global oil prices but also domestic capacity pressures, which appear greater than previously thought.

The Board stressed that with inflation expected to remain elevated for longer than previously forecast, there is a risk of inflation expectations becoming de-anchored.

The statement underscored that rate hikes to date have tightened financial conditions, slowed economic growth and increased the unemployment rate. However, it also highlighted stronger investment growth related to the data centre boom.

Despite the hawkish elements, the Board removed the reference to 'increasing the cash rate target further if needed' from its forward guidance. However, it will continue to monitor developments and respond if needed.

Statement on Monetary Policy

The main highlight from the November Statement on Monetary Policy is the significant upward revision to the inflation outlook.

Headline inflation is now expected to peak at 4.5% towards the end of 2026 and, along with trimmed mean inflation, is not expected to return to the 2–3% target band until late 2027, three quarters later than forecast in August.

Both headline and trimmed mean inflation are expected to return to the midpoint of the target range in mid-2028, compared with late 2027 in the August forecast.

The unemployment rate is now expected to rise above 5% in mid-2028, compared with a peak of 4.8% forecast in August. The near-term GDP growth forecast was upgraded marginally, as somewhat weaker consumption was offset by stronger investment, particularly business investment.

The Statement on Monetary Policy contained three boxes, including one on insights from business liaison. The key takeaway was that businesses expect above-average increases in selling prices over the year ahead, easing only 'a little'. The liaison also underscored that higher fuel costs are pushing up broader costs, alongside further increases in IT costs.

Press Conference

At the press conference, RBA Governor Michele Bullock reiterated the key messages, particularly the need to prevent heightened inflation expectations from becoming embedded.

Governor Bullock also provided insight into the split vote and the removal of the explicit reference to further rate hikes from the post-meeting statement.

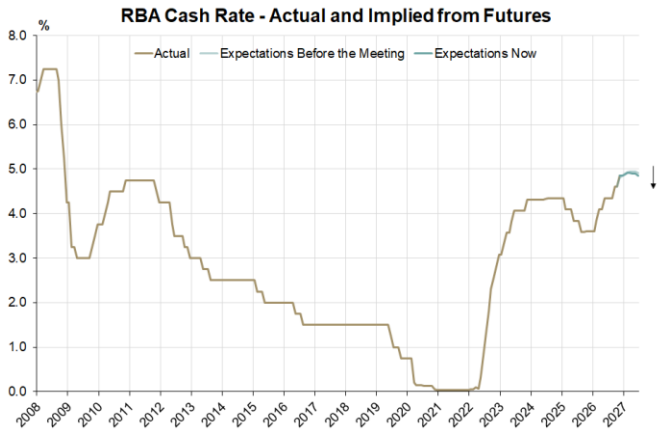
She said dissenters cited steady wages growth and the housing market correction, and preferred to wait for more data to confirm whether inflation pressures were still rising. She added that after five rate increases this year, it was probably 'a good point to stop for a minute'. However, she declined to rule out future rate hikes.

Market Impact

The split vote on the rate hike, coupled with signs of a likely pause in tightening, led to marginal easing in expectations for further cash rate increases.

As a result, Commonwealth bond yields declined following the decision. At the time of writing, 3-year yields were 4.77%, compared with 4.86% before the decision, while 10-year yields fell from 5.14% to 5.08%.

The AUD/USD depreciated slightly, from US$0.7001 to US$0.6976. The ASX 200, which was trading marginally in the red before the decision, closed 0.3% higher.



Comment

As widely expected, the RBA delivered its fifth consecutive cash rate hike this year, taking the rate to its highest level in nearly two decades.

The split vote and removal of the direct reference to further cash rate hikes could indicate growing conviction that monetary policy settings are restrictive enough to bring demand and supply back into balance and deliver price stability over time.

However, with inflation expected to remain elevated for longer, the risk of inflation expectations becoming de-anchored remains real. We therefore see a slight risk of one more hike, although this is not our central scenario.

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