

# RBA Update March 2026

At its meeting today, the Reserve Bank of Australia (RBA) Monetary Policy Board decided to increase the cash rate target by 25 basis points to 4.10%.

The vote was split, with five members voting for a rate hike and four voting against.

## Post-meeting Statement

Quite unsurprisingly, the post-meeting statement was revised significantly from the previous meeting, to sound even more hawkish.

Most importantly, the Board judged that there is a 'material' risk that inflation will remain above the target for longer than previously thought, reflecting both domestic capacity pressures and the impacts of the escalation of the Middle Eastern conflict.

The Board stressed that short-term measures of inflation expectations have picked up in reaction to the sharp increase in fuel prices. They expressed concerns that a 'longer and more severe' conflict in the Middle East could 'build into' longer-term inflation expectations as well.

The RBA has also strengthened its language on economic activity and the labour market. It said that capacity pressures are 'higher', mainly due to upside surprises to growth in late 2025, while the labour market has tightened 'a little' of late.

The statement again discussed financial conditions, saying that they 'tightened a little' in the past few months, but it is still uncertain how much restrictive monetary policy has been.

The escalation of the Middle Eastern conflict, apart from its clearly inflationary impacts, was also thought to pose some downside risks to growth abroad and at home.

Apart from stressing the RBA's preparedness to respond to the aftermath of the events in the Middle East, the forward guidance was little changed from the previous statement, with decisions remaining data-dependent.

## Press Conference

In the press conference, RBA Governor Michele Bullock reiterated all the above information, adding some insights about the split vote.

According to Governor Bullock, the split vote was about the timing of the rate hike, not the direction itself. All members agreed that inflation is 'too high' and that there are domestic inflationary pressures. Those who were in favour of a rate hike were bearing in mind the heightened uncertainty about the duration and impact of the Middle Eastern conflict.

Michele Bullock stressed that, by bringing forward the rate hike, the RBA aims to prevent longer-term inflation expectations from de-anchoring and to decrease the scale of the second-round effects from the rise in oil prices. She again declined to provide specific forward guidance on rate hikes.

## Market Impact

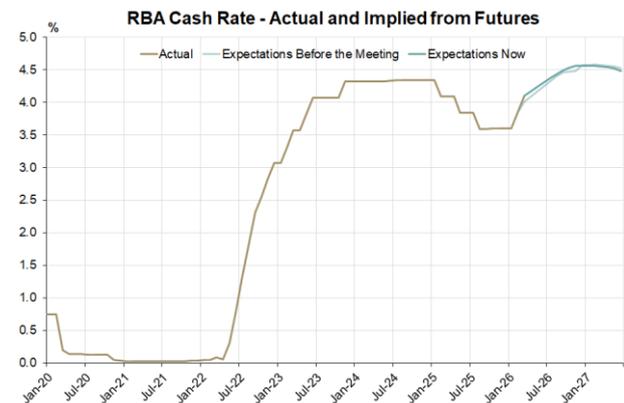
A 25 basis point hike was broadly expected by market participants. However, the realisation of how close the vote was came as a surprise to many, initially leading to a fall in Commonwealth bond yields. These moves were largely unwound when the press conference confirmed that the Board agreed on the general monetary policy direction.

3-year Commonwealth bond yields initially fell from 4.57% just before the decision to 4.50% shortly thereafter but are back to 4.55% at the time of writing.

Similarly, 10-year yields declined from 4.95% to 4.91%, but are back to 4.94%.

The AUD/USD remained quite steady, ranging from US\$0.7049 to US\$0.7094.

Market cash rate expectations did not change materially after the RBA meeting today. Another 25 basis point hike is around 55% priced in for the May meeting and more than fully priced in for August, with one further adjustment largely expected later in the year.



## Comment

The RBA Monetary Policy Board has responded to mounting evidence of persisting demand pressures in the economy, which resulted in underlying inflation returning above the 2-3% target band in late 2025. The spike in fuel prices as a result of the escalation in the Middle Eastern conflict has only added to this pressure.

The RBA is particularly concerned about a rise in inflation expectations, which could fuel second-round effects and risk the impacts of higher fuel prices spilling over to a broader range of goods and services, while adding to wages growth. Such a situation would make the fight against inflation significantly harder, resulting in interest rates remaining elevated for longer.

As hinted in this morning's [Daily Report](#), the decision to deliver a rate hike earlier was not that obvious, and this was reflected in a split vote. Looking forward, we should expect further tightening, at least to 4.35%, which was the peak from the previous cycle.

**17 March 2026**