



Statement by the Monetary Policy Board: Monetary Policy Decision

Date: 30 September 2025

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.