



## Statement by the Monetary Policy Board: Monetary Policy Decision

Date: 4 November 2025

At its meeting today, the Board decided to leave the cash rate unchanged at 3.60 per cent.

- **Inflation has recently picked up.**

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. More recently, however, inflation has picked up. Trimmed mean inflation was 1.0 per cent in the September quarter and 3.0 per cent over the year, up from 2.7 per cent over the year in the June quarter. This was materially higher than expected at the time of the August Statement on Monetary Policy. Headline inflation rose sharply to 3.2 per cent over the year in the September quarter, a large part of which was expected given the cessation of electricity rebates in a number of states.

The Board's judgement is that some of the increase in underlying inflation in the September quarter was due to temporary factors. The central forecast in the November Statement on Monetary Policy, which is based on a technical assumption of one more rate cut in 2026, has underlying inflation rising above 3 per cent in coming quarters before settling at 2.6 per cent in 2027.

- **Domestic economic activity is recovering but the outlook remains uncertain.**

Data on consumption suggest that the pick-up in private demand evident in the June quarter is ongoing. The housing market is continuing to strengthen, a sign that recent interest rate reductions are having an effect. Housing prices are rising and dwelling construction costs have also started to increase again after a period of weak growth. Credit is readily available to both households and businesses.

Various indicators suggest that labour market conditions remain a little tight, notwithstanding a recent easing. Growth in employment has slowed by slightly more than expected and the unemployment rate rose to 4.5 per cent in September from 4.3 per cent in August. But measures of labour underutilisation remain at low rates, job vacancies are still at a high level and business surveys and liaison continue to suggest that a significant share of firms are experiencing difficulty sourcing labour. 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, if the pick-up in private demand continues to exceed expectations, this could increase the demand for labour, add to capacity pressures and make it easier for businesses to pass on cost increases. Alternatively, the improvement in private demand might not persist.

Uncertainty in the global economy remains elevated but so far there has been minimal impact on overall growth and trade, and many forecasters have revised up their near-term expectations for world growth. Trade policy developments are still expected to have an adverse effect on world 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 assessment that monetary policy remains a little restrictive, the lags in the effect of recent monetary easing, the balance between aggregate demand and potential supply for goods and services, conditions in the labour market and the outlook for productivity growth. These uncertainties present risks in both directions to the inflation and employment outlook.

- **Maintaining price stability and full employment is the priority.**

The recent data on inflation suggest that some inflationary pressure may remain in the economy. With private demand recovering and labour market conditions still appearing a little tight, 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, but it will take some time to see the full effects of earlier cash rate reductions. Given this, and the recent evidence of more persistent inflation, 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 in both directions.

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.