



Source: Reserve Bank of Australia

Sydney – 9 December 2025

Michele Bullock

Governor

Transcript

Michele Bullock

Good afternoon, everyone. Welcome to the last one of the year. So as you see today the Board decided to leave the cash rate unchanged at 3.6 per cent. Inflation came in a bit stronger than expected in the September quarter. Some of this looked to be temporary factors but there were signs of persistence in some items. The Board discussed how much signal to take from the new monthly CPI and concluded at this early stage in the series it needs to be cautious. The Board is nevertheless alert to the signs of a more broad-based pick-up in inflation. The labour market has evolved broadly as expected and remains a bit tight. And the national accounts last week showed GDP growth was broadly in line with our November forecasts. That said, growth in private demand was a bit stronger than expected, largely driven by business investment. Growth in household consumption was largely as expected. The outlook for the global economy is also more balanced than earlier this year, although downside risks remain. So as you know the Board has been very cautious this year as it sees policy. It's highlighted the possibility of upside risks in our assessments, particularly the degree of tightness in the labour market. And indeed the recent run of data suggests there may be more tightness in the economy than previously assessed.

The Board therefore assessed that the balance of risk to inflation had tilted a bit to the upside. This is while downside risks, particularly from overseas, seem to have abated a little bit. We've also been mindful of the timing of electricity rebates and their temporary effects on inflation data. Rebates temporarily lower headline inflation, and as they roll off the headline inflation will move higher. The Board looked through these effects when rebates were put on and is going to do so again as they come off. Before the next meeting we will receive more data on the labour market and inflation, including quarterly trimmed mean. These will be important inputs into our updated forecasts and for the Board's deliberations in February. We remain focused on returning inflation to target while maintaining the unemployment rate as low as possible. Taking a longer view our inflation and full employment objectives are complementary. Keeping inflation low and stable enables strong and sustainable employment



growth. So the Board will be driven by what the incoming data tells us about where the economy has been and what this means for the outlook. Happy to take your questions.

Stella Qiu

Hi Governor, happy last meeting of the year. It's Stella from Reuters. We just have a simple question, did you consider the case of a rate cut or the case for a hike today and if not, why not?

Michele Bullock

Thank you, Stella. We didn't consider the case for a rate cut at all. We didn't explicitly consider the case for a rate rise at this meeting. But we did consider and discuss quite a lot the circumstances and what might need to happen if we were to decide that interest rates had to rise again at some point next year. So there was no - but certainly there was no cut on the table and no-one suggested that there be a cut.

Luke Kinsella

Hi Governor. Luke Kinsella from The Financial Review. Headline inflation is at 3.8 per cent, well above the RBA's target band. If we get another uncomfortably high inflation rate for the December quarter, is it plausible that you could need to hike interest rates at your next meeting in February? And is that what you meant when you were speaking at Senate Estimates last week when you said that if inflation was more permanent it would have implications for the future path of monetary policy?

Michele Bullock

I wasn't thinking about a particular timing, Luke, but certainly if the inflation pressures look - when we get more data, they look to be persistent and they look to be not in one-off items then I think that does raise some questions. And I've already highlighted a couple of them. One is the extent of excess capacity in the economy or excess demand. And the tightness of the labour market. And also the question about how restrictive are financial conditions. So we've been judging that financial conditions were still a little bit tight. If inflation continues to be persistent and looks like it is not coming back down towards the Board's target, then I think that does raise questions about how tight financial conditions are and the Board might have to consider whether or not it's appropriate to keep interest rates where they are or in fact at some point raise them. But I wouldn't put a timing on that. It's going to be a meeting-by-meeting decision.

Luke Kinsella

You said that it looked like inflation was driven by those temporary factors. Are you trying to walk back those comments that you made at the last meeting?



Michele Bullock

No, I'm not walking back comments. It's very uncertain what is temporary and what is persistent. And I think we've got one number. We've got one quarterly number and we've got one monthly number. We don't know how the monthly numbers are going to play out yet because it's a new series. They're volatile. They're not seasonally adjusted in a way that they normally would be with a long series of data. And the other thing is we don't know how the series behaves. We do know how the quarterly CPI behaves and the quarterly underlying so we're going to be looking for those sorts of numbers to inform our decisions going forward.

Juliette Saly

Hi Governor, Juliette Saly from ausbiz TV. I wanted to flip it a little bit more, KPMG says if you take the electricity rebates away from the CPI calculation and replace them with the non-rebate electricity series then the current rate of headline inflation would actually be 3.2 per cent and not 3.8 per cent and AMP is saying they're finding it hard to argue at all that inflation will re-accelerate from here. So you touched on the fact that they're more likely a rate hike than a rate cut but what about the likelihood that maybe a cut is needed in 2026?

Michele Bullock

I would say at this moment that given what's happening with underlying momentum in the economy that it does look like additional cuts are not needed. The private economy is recovering. It's taking over from public demand. So that's happening as expected. We also know we're coming from a position where if the economy is not in balance it might even be a little bit tight. So they're the circumstances in which I think where - and I have always said we didn't go as high as other countries so we possibly had not as far to come back as other countries. So you're right to highlight the inflation figures. In February, obviously we'll be coming back to this with new data. We'll be coming back with new forecasts. Looking at how long it will take to come back to 2.5 per cent because that's our target and we're still a fair way away from it.

Swati Pandey

Governor, Swati Pandey from Bloomberg. Follow up to Stella's question, on the circumstances that you discussed, circumstances under which there could be an interest rate hike, could you provide some more colour on what are the circumstances, especially with Q4 inflation and Q1 inflation forecasts are already lofty 0.8 per cent Q on Q. You had mentioned 30 per cent upside risk would be a material miss. Does that still hold true? If you could just provide some colour on those discussions?



Michele Bullock

So I think no decisions have been made, first of all. First point, no decisions have been made. That said, the Board does think that relative to six months ago or seven months ago a lot of the downside risks seem to have abated a bit and some of the upside risks seem to have been generated. That's sort of the position we're in. We're still not back. We got underlying inflation but that's not our target. Our target is headline inflation. It's very much swung around by the on and off electricity rebates. We're not expecting headline inflation to come back to down below three for another 12 months effectively. So that said, what we're looking for in underlying inflation is some sort of clues to whether or not that large increase in quarterly trimmed mean in the September quarter was just a whole lot of unrelated one-off factors or whether or not it was demonstrating that there is underlying capacity pressures in the economy. Some of the things giving us pause there, I mentioned them last time, there's market services, there's new dwellings, there's durable goods. There's a few things you're just thinking, maybe that's indicative of what's going on. So when we come back to this in February, and we'll have more labour market data as well, and we'll be reassessing whether or not we think the capacity is still a bit tight and we'll be reassessing whether or not we think financial conditions are really just a little bit tight or whether or not, in fact, they are effectively not putting any downward pressure on inflation. So they're the sorts of things we'll be considering coming into next year.

David Chau

Hi Governor, David Chau from ABC News. So what's the more probable outcome for next year? Interest rates going down or interest rates going up?

Michele Bullock

David, probabilistic statements, you know I don't like to make those. What I would say at this point is what we know at the moment, I don't think there are interest rate cuts in the horizon for the foreseeable future. The question is, is it just an extended hold from here or is it possibility of a rate rise? I couldn't put a probability on those but I think they're the two things that the Board will be looking closely at coming into the new year.

David Chau

And if the Reserve Bank is forced to lift interest rates next year, would that in hindsight have meant too many rate cuts for 2025?

Michele Bullock

You could read it that way but you could also read it and just – as I said, you go back six or seven months and a lot of people were saying we needed to drop interest rates quite a lot



because things were very, very soft. The Board is being cautious. I think that has been borne out.

Tom Richardson

Hi Governor, Tom Richardson from The Nightly Channel 7. I think in response to the first question I was quite surprised you said we didn't quite explicitly consider the case for a rate hike at this meeting but the September quarter inflation came in at 3 per cent and we saw them October monthly climbed to 3.3 core. What you focus on. So all the data and evidence we have at the moment suggests inflation is rising since July. It's well above your targeted range. Aren't you worried that with statements like the first one people are going to think you've got your head in the sand about inflation at the moment?

Michele Bullock

No, I don't think so because I don't think people expect us to react to one number. So I can list off for you any number of examples. So when the unemployment rate rose back in the September month to 4.5 per cent people said, you've got to lower interest rates, you've got to lower interest rates. We said no, hold on. Let's wait and see if we can get a bit more confirmation. We did. It came back down. I think there's enough in the quarterly inflation print to suggest that there is some persistence there but there's also a bit to say, there was a whole lot of random things that just went up and maybe they're not going to go up again at the same rate. So we don't – and as we get closer to neutral on the interest rate and as we get closer to balance on the economy and employment, it just gets harder. So I'm not – this is a difficult situation. We're coming from a position where we're somewhere around about balance, maybe a bit tight, maybe financial conditions are neutral, maybe they're a bit tight and we've just got to be very cautious. So jumping at one number, I think, would not be the appropriate thing to do. The Board has quite rightly, I think, has said it does suggest some of the risks are now on the upside, particularly with some of the downside risks abating a little bit. So their focus now has moved much more towards inflation and being alert to the possibility that if that really is staying up then they might have to do something.

Millie Muroi

Hi Governor, Millie Muroi from the Sydney Morning Herald and The Age. You said the RBA largely looked through the energy subsidies. Is there any concern they've still made reading it a bit difficult or messy? How long might it be now that those rebates are being discontinued before it will be fully clear how much noise, directly or indirectly, those subsidies might have added to your read on inflation?



Michele Bullock

I think you've sort of almost half answered the question. I think it has been complicated and difficult to read. The other thing that I find challenging about it is that even though we're focusing on underlying, because we think that gives the best underlying pulse, people out there, what's hitting them is actual inflation. When the subsidies were there they were thinking prices aren't going up too much on electricity. When the subsidy comes off they'll see the full force of that. So what people out in Australia are facing and looking at in inflation is not what we're looking at which is the underlying pulse of inflation. So I think that makes it challenging for messaging. I also think it makes it challenging because even though when looking at the trimmed mean we cut out some of the – at the bottom and top of the distribution, the big movements, it still impacts the trimmed mean in some way. So it has been challenging. And as this, I think, all rolls out things will settle down a bit. I'm hopeful too that once we get the monthly CPIs, and it's going to take us a while to figure out how to read it and how to use it but ultimately going forward this is going to be great because before when we only had four inflation readings a year, that was all we had to go on. Now we will have a bit more of a flavour of momentum. It's going to take time. We're not going to be able to just immediately take them for gospel but I think it's going to be better.

David Taylor

Hey Governor, David Taylor from ABC News. Just thinking back on 2025, what was the most challenging conversation that you had in 2025 and who was it with?

Michele Bullock

The most challenging conversation, you mean personally or – had a few of those.

David Taylor

Because you talk to a lot of people and really important people in this country so I'm just wondering what was the most challenging conversation and who it was with and why it was challenging?

Michele Bullock

Well, I would say probably one of the more challenging conversations I had has been actually with some internal staff members about – now, I don't mean challenging in the sense that I felt in any sense affronted by it but I've been trying to encourage people to speak out and disagree with me, if they want to, and sometimes that's meant that people have come up with views and expressed views that are in very direct opposition to me. I don't think it was a challenging conversation in the sense that I had to sort of pat them down or anything but it



was challenging to have people directly challenge your view and you had to think, well, am I hanging on to this view for the wrong reasons? So it's probably not –

David Taylor

That was part of your remit, to get that going.

Michele Bullock

That was part of my remit but I'd say, for me, 2025 has seen a bit of a change in the way that we have had internal conversations and I think that challenge has been good.

Sophia Rodrigues

Sophia Rodrigues from Central Bank Intel. So even if the market and economists can make a reasonable case for a rate hike say in Feb, they think the RBA won't hike for four reasons. The first is the Monetary Policy Board according to them has no appetite to hike.

Michele Bullock

Sorry, who says this?

Sophia Rodrigues

Sorry?

Michele Bullock

Whose reasons are these?

Sophia Rodrigues

These are mine. Sorry, sorry, sorry. Not my view. That is the view of people I talk to.

Michele Bullock

Sorry. I just wanted to clarify. All right.

Sophia Rodrigues

Not my view. Not necessarily my view. The second reason is that if you hike now you are admitting policy error. The third is the cycle lasts nine months, or you need nine months from Feb to whenever. And the fourth is that they won't hike when the Fed is cutting. Do any of these arguments hold merit? If not, why not?

Michele Bullock

I'll give you a very general answer which is probably the answer no to all of those questions. The Board will do what it thinks it needs to do to get inflation back to 2.5 per cent and it's



uncomfortable. The conversation we had today, they are uncomfortable where it is. And the point about the Fed well, they're in a different situation than us and we have a floating exchange rate so we can set monetary policy for our domestic conditions. So I wouldn't put that on the table. The first point was something about the Monetary Policy Board has no appetite. I don't believe that at all. Not the discussions I've sat in on, I'll tell you. The second reason was something to do with admitting that we shouldn't have lowered in the first place. I don't agree with that either because we're data driven. I say if you look back six or seven months ago things looked to be travelling in the right direction. It looked it was appropriate. Data changed, circumstances changed, a lot of the risk that people were really worried about in terms of the world economy has abated. And – so when things change you have to change your view and it's appropriate that the Board, I think, is agile and nimble. And so I don't subscribe to any of those arguments.

Nasteho Said

Hello, Nasteho Said from Bloomberg News. As data centre investments ramp up in Australia, how confident are you that it will have a multiplier impact or effect on the economy in the near term, particularly on GDP, productivity and job creation?

Michele Bullock

Well, big question. So I think the first point a number of people have made this point that the big investment boom in fitting out the data centres, so not building them but fitting them out, a lot of that equipment is imported. Obviously you'll need people to install the equipment and that sort of thing but I'm not sure how labour intensive actually operating data centres is once they're up and running. So there might be a bit of a boost in terms of construction of them, setting them up and so on. The question about productivity is an interesting one potentially. There might be advances for productivity, just as people think there might be implications of AI broadly and if data centres help encourage that in Australia then that might be there. So – but, again, I think it's not really – I think our view on the investment figures for September quarter were that they weren't adding to demand much because they were importing most of what they were doing. But there may well be ongoing implications and I think that's something we have to think about going forward.

Michael Janda

Governor, Michael Janda from ABC News. The Federal Reserve is expected to cut interest rates later this week despite inflation well above its target. Is there a risk that the US exports its inflation problem globally and do you have any message to FOMC members ahead of their meeting?



Michele Bullock

I don't have any message for the FOMC members. I wish them all the best in what's a very difficult situation for the FOMC. I think what they're doing is they're trying to look through what they see as some temporary tariff-related inflation issues. Now, that's a fairly stock standard way to think about it, if you think there's a price level shift then you don't necessarily want to respond with tighter policy. They still think that they're tight. They still think that they're not back at neutral. So I can see the reasons why they would think that it might be appropriate to reduce the level of tightness a bit, knowing that inflation will come back down when the tariff effects move out and - but they're in a difficult situation, of course, because they've got a bit of a lack of data and their labour market data, in particular, at the moment is quite sparse. They're going to get some more of that so that will also play into that. So, you know, I - they're above their target, yes. Is it going to come down? Their forecasts are for it to come down, as I said, as some of the temporary effects of tariffs come out. So I don't think there's a risk they're going to be exporting inflation anytime soon but, again, these are some of the risks that all central banks, I think, are aware of and I think the Bank of England has some of this sort of concern about inflation as well. So there's still a little bit out there. Reasonably common across countries is that services inflation has tended to remain a bit more sticky and persistent than the rest of inflation. So that's still something that's floating around out there.

Tom Storey

Governor, Tom Storey from Nine Radio. We saw the government pull back on the energy bill rebates yesterday. Have you had to have difficult conversations with the Treasurer about the level of government spending and are you pleased to see that some of that stimulus is going to be coming out of the economy into the next year?

Michele Bullock

No I've not had difficult conversations with the Treasurer about government spending. I've said a number of times that governments do have a job to do and they have a job to provide services and infrastructure to Australians. They have a lot of things to juggle and at the same time try and make sure that they contribute to bringing inflation down which I think is very top of mind for them. Whenever I speak to the Treasurer he's always very conscious of that. I think, as I said, the government at the moment seems focused on what they need to do to continue the fight against inflation and up until recently I think monetary policy and fiscal policy we were doing a good job. We've got a bit of a pause now to make sure we haven't eased a bit far perhaps but we'll wait and see but that's part of policy making. It's a little bit uncertain and you've just got to deal with the uncertainty.



Effie Zahos

Hi Governor, Effie from 9News. I'm hoping you'll gift me a free Christmas gift and ask two questions, they're kind of related.

Michele Bullock

Well, everyone else has so you might as well.

Effie Zahos

Thank you very much and it's really hard being right at the back. Most of the questions have been answered. Just playing on the spending. Consumers, I think, would love some clarity around how much of an impact their spending has, especially coming into Christmas and the silly season and so on. How much does that play? I mean, I don't know if you went to the Metallica concert or did you go to Oasis or Gaga at the moment?

Michele Bullock

I didn't. I'm going to Boy & Bear.

Effie Zahos

Okay. How much will that come and bite us back in February?

Michele Bullock

Well, these things - people often put a lot of emphasis on big events. I think it's also true though that people who are going to these big events are often sacrificing other things to go to these big events. So if they're going to spend that much money on an Oasis concert and accommodation and that sort of thing they might be foregoing some coffees or a breakfast out or they'll be doing different things. Not having a new TV, I don't know. So I think you can't think about them in isolation and just say all these big events add to inflation. I don't think it necessarily works that way.

Effie Zahos

So you've alluded that if the pressure points, you're being very clear that both inflation and jobs drive the rate call and you've been pretty clear, even today, saying that if these come in hotter than expected, job numbers this Thursday inflation figures in January then possibly you will talk about rate hikes in February.

Michele Bullock

Well, if we think that inflation - if the indications from these numbers that come out suggest that the tightness in the labour market - there is still tightness in the labour market, that



inflation is not trending, not looking like it's going to trend back down because we need it sustainably back at 2.5. It got close there for a couple of quarters but that's not sustainable, right. So that will be the question that the Board will be considering meeting by meeting. It will consider it in February and then I think there's a March meeting, I might be getting confused. So this is what we mean by data driven. Where we're looking at the data. It's looking at the data and then forecasting forward about what we think that data means for the future. And that's what they'll be focusing on, deciding whether or not we need to increase interest rates again or is it sufficient, are financial conditions sufficiently tight, just tight enough, to just keep that downward pressure on.

Effie Zahos

So consumers tread carefully over Christmas?

Michele Bullock

I'm not telling consumers what to do. But we do get - it is very difficult to read some of these numbers, particularly with Black Friday sales. We hear reports that people are still very value conscious. So they look for the sales and buy up in the sales. So I think people will obviously be looking where they can to get good deals and that's great. But I'm not going to tell people whether or not to spend. That's not my business.

Effie Zahos

Thanks, Governor. Merry Christmas.

Michele Bullock

Merry Christmas.

Luca Ittimani

Thanks, Governor. Luca Ittimani from The Guardian. I want to ask about communication. So this year the Board has done a lot of talking about the risk either side in its statements and you've been a bit hazy in your press conferences intentionally with reason. Today you've become a little bit clearer, it feels, in your communication in telling us what we might expect next year. And also in today's statement the Board has dropped references to risks to the downside is always talking about risks to the upside. How should we interpret that? Are you more confident now? Are you less uncertain? Or are you more afraid about the upside risks, is it more of a fear that's driving that clarity?

Michele Bullock

Thanks, Luca. Everyone interprets the statement in different ways. In fact, the Board members themselves even had slightly different interpretations of how to read it. The way I would say



the Board is wanting to give the signal that the risks have tilted a bit to the upside. So before where we thought - if you go back to six or seven months we were a little bit more worried about the downside. Then we thought things were balanced-ish. Now I would say what the at the same time is saying we are looking more - we think the risks to the upside are a bit more to the fore now. Hence no discussion about interest rates cuts. And a bit of a discussion about, we're not increasing today but what might we be doing next year if it looks like the inflation risks are realised and it isn't coming back to target. So I would say the statement is meant to have its usual cautious tone because I think the Board has been very consistent over the last year really, 2025, of being quite cautious. You might recall in July when we didn't cut rates as people thought we would and the Board was at pains to say, we want to see data and we want to be cautious. And I think that's still the same message but the message that inflation - there's some signs that inflation might be a little bit higher than we're comfortable with, we want people to get that message.

Luca Ittimani

And just on your own language? [inaudible].

Michele Bullock

Well, do I? I don't know. I think the message - I think it's easier to sort of have a bit more of a firm message when you've got a bit more of a clear idea about where the risks might skew. When you think the risks are balanced on both sides it's a little more difficult, I think, to sort of say much more than, well, where we are and we're going to keep the data. I think now the message clearly is, well, we actually think the upside risks so we can be a little bit clearer now, I think. Now, will they actually eventuate? That's where the data will come out. Yep.

Brandon How

Thanks, Governor. Brandon How from Capital Brief. Before this decision economists were split on where rates were going. Some saying more cuts to come and others saying a string of rises as early as early 2026. Given that the most recent RBA forecast had assumed at least one rate cut, are those now redundant or is this uncertainty an indication that economists don't trust the central bank's forecast?

Michele Bullock

Well, let me just say a couple of words about forecasts. Forecasts we have to do them. We all have to do them. But one thing we know is that they are very uncertain. The further out you go in your forecasts, the more uncertain they get. You only have to look at our fan charts in our *Statement on Monetary Policy*, which shows sort of the historical errors around the forecasts to see that it just - they're called a fan because they get bigger the further out you go. Having said that we don't have any choice but to do it because if we didn't do it we would



be completely backward looking. Right. So it's up to people whether they trust us but I think we do an excellent job, the team does an excellent job of trying to distil where we are now using what we understand about the way the economy works and then trying to forecast that into what might happen in the future. Sometimes we get it wrong. I think actually in the last year or so we've pretty much got it more or less right so I think they've done a very good job. But it is a difficult thing. I mean, 26 million people and they're all making their own decisions and you're trying to distil that into one little forecast. It's difficult. So we've got to do them. We know that they're probably going to be wrong by some margin but the best we can do is forecast based on historical relationships as well as we can and be ready to move if things aren't turning out quite as we expected and understand why they aren't turning out as we expected.

Cecile Lefort

Governor, Cecile Lefort from The Financial Review. My question is about the narrow path strategy. Where do we stand today?

Michele Bullock

Well, I thought I retired that term which was my predecessors. I mean, in a sense the strategy is still the same. The strategy was always to try and raise interest rates just enough to slow the economy that would bring inflation down but not result in a large rise in unemployment. Now, we saw a couple of countries overseas where they took a strategy of raise interest rates high, above 5 per cent quite quickly and their unemployment rates shot up. And now they've lowered their interest rates dramatically down and they're trying to be accommodative so they can get the economy moving again. We didn't have that strategy. We think we're in a position now where, as I said, we're probably close to balance and if the economy starts to take off, and I think I said this in the Senate the other day, if demand really takes off from here and we're already in balance that's a challenge. So I think we're still trying to use the same sort of strategy. We're still trying to get inflation down at the same time as we keep the unemployment rate as low as possible because people having jobs is really, really important. But having said that, ultimately if we don't get inflation back down to target and inflation expectations start to rise then that won't be good for unemployment because we will have to raise interest rates quite a lot more and we will have to hurt the economy a lot more. That's why we're still on the same strategy but it's a challenging strategy.

Jonathan Shapiro

Governor, Jonathan Shapiro from The Financial Review. Obligatory market pricing question. The markets, I think, have a forecasting cash rate of around 4 per cent sometime next year and we've seen the longer-term bond rates, the 10-year bond rate pushed to 4.75 which is as close to as high as it's been in the last 15 years. I'm wondering how closely market pricing



reflects or mirrors or is in conflict or in agreement with yours and the RBA Board's assessment of the balance of probabilities for interest rates?

Michele Bullock

I usually don't comment on whether I think the market path is right or not because it sort of smacks a little bit of forward guidance and you know I don't do forward guidance. But what the market is doing it's reacting to the data, reflecting what they think we will be interpreting the data to mean and what we might do. So they're trying to predict our reaction function, if you like. I have no view on the timeline for the market, in terms of I think they have got some interest rate increases out sort of in the second half of 2026. I have no particular view on the timing of the thing but they are right. I think I sort of made this point today. They are right that the Board is thinking about the upside risks. It will be a meeting-by-meeting decision. Whether it actually takes - whether interest rates actually go up or stay put or if they do go up they take the market path, I don't know. But I think the market is reflecting what they think our reaction function is. And it's true that we are a little concerned about where the latest inflation numbers are and some of the other bits of data, unit labour costs, some of these sorts of things. We want more evidence. But we are alert and we think the risks have gone to the upside.

Michael Heath

Governor, Michael Heath from Bloomberg News. Just reflecting that this is going to have been an extraordinarily short easing cycle. I'm just wondering how much of a product is this of an economy that's avoided recession, COVID aside, for decades and pulling off a pretty impressive performance in bringing in a soft landing. Can you sort of speak to the challenging of entering an economic upswing when you've got very low unemployment, you've got capacity utilisation reasonably high and then you're preparing for the business cycle to sort of take off without much room?

Michele Bullock

Well, it is - you're right. It's very challenging and my colleague Andrew Hauser talked a little bit about this in a recent speech. A lot of it depends on the supply capacity of the economy and it's possible that the supply capacity - some people argue that we're a little pessimistic on the supply side of the economy in which case then it might be okay. But we're sort of a little concerned that - and this is why the upside risk worry, that we're already growing about potential. So there's not much more room, unless the supply capacity somehow picks up, there's not much more room for the economy to grow much more strongly. So it is a challenge. And I think when we sort of started on this strategy of trying to bring inflation down but not so the unemployment rate shot up, I think we should it would be challenging and it still is challenging. So I guess it probably doesn't really answer your question but I think we're trying



to stay the course on this but, again, I'll come back to the point that if it does look like inflation is not coming sustainably back to the band and it's going the other direction then the Board is going to have to take action and it will. Yeah. Thank you. Happy Christmas, everyone.