



Statement by the Monetary Policy Board: Monetary Policy Decision

Date: 17 March 2026

At its meeting today, the Board decided to increase the cash rate target by 25 basis points to 4.10 per cent.

While inflation has fallen substantially since its peak in 2022, it picked up materially in the second half of 2025. Information since the February meeting suggests that some of the increase in inflation reflects greater capacity pressures. **In addition, the conflict in the Middle East has resulted in sharply higher fuel prices, which, if sustained, will add to inflation.** Short-term measures of inflation expectations have already risen. As a result, the Board judged that there is a material risk that inflation will remain above target for longer than previously anticipated.

Higher capacity pressures reflect, in part, the greater momentum in demand in the latter part of 2025. Growth in private demand strengthened substantially more than was expected in mid-2025, although the composition of that growth surprised in the December quarter. Business investment was above expectations and consumption was below expectations. Meanwhile, growth in unit labour costs declined. More recently, the unemployment rate has been a little lower than expected and measures of labour underutilisation remain at low rates. Activity and prices in the housing market grew strongly over the past year, although housing price growth moderated somewhat at the start of 2026.

Financial conditions have tightened a little this year, but the extent to which monetary policy is restrictive is uncertain. Credit is readily available to both households and businesses and the effects of interest rate reductions in 2025 are yet to flow through fully to aggregate demand, prices and wages. The exchange rate, money market interest rates and government bond yields have risen over the past month. In large part, higher interest rates reflect expectations for the path of monetary policy, which have risen in Australia and most other advanced economies in response to the expected inflationary implications of the conflict in the Middle East.

There are material uncertainties about the outlook for domestic economic activity and inflation and the extent to which monetary policy is restrictive. Globally, the conflict in the Middle East poses substantial risks in both directions. A longer or more severe conflict could put further upward pressure on global energy prices; this will push up near-term inflation and could also increase inflation further out if it impairs supply capacity or price rises get built into longer term inflation expectations. Higher prices and prolonged uncertainty may cause growth to be lower in Australia's major trading partners and also in Australia.



- **Decision**

A wide range of data over recent months have confirmed that inflationary pressures picked up materially in the second half of 2025. While part of the pick-up in inflation is assessed to reflect temporary factors, the Board judged that the labour market has tightened a little recently and capacity pressures are slightly greater than previously assessed. Developments in the Middle East remain highly uncertain, but under a wide range of possible scenarios could add to global and domestic inflation.

In light of these considerations, the Board judged that inflation is likely to remain above target for some time and that the risks have tilted further to the upside, including to inflation expectations. It was therefore appropriate to increase the cash rate target.

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. Monetary policy is well placed to respond to developments and the Board is focused on its mandate to deliver price stability and full employment. It will do what it considers necessary to achieve that outcome.

Today's policy decision was made by majority: five members voted to increase the cash rate target by 25 basis points to 4.10 per cent; four members voted to leave the cash rate target unchanged at 3.85 per cent.