



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

Date: 16 June 2026

At its meeting today, the Board decided to leave the cash rate target unchanged at 4.35 per cent.

Inflation picked up materially in the second half of 2025, and information since the beginning of this year confirms that some of the increase reflected greater capacity pressures. The latest data show that headline and underlying inflation are still too high. Oil prices have eased in recent weeks, although energy and most related commodity prices remain higher than they were prior to the conflict in the Middle East. There are signs that some firms experiencing cost pressures are increasing the prices of their goods and services and others are looking to do so. Short-term measures of inflation expectations have eased but remain higher than earlier in the year.

Financial conditions have tightened this year in response to three increases in the cash rate target. Money market interest rates and government bond yields have risen, and the exchange rate has appreciated. There are signs that growth in consumer spending is slowing as expected and momentum in the housing market has shifted, with housing prices falling in some capital cities. The unemployment rate was higher than expected in April, but other measures of labour market conditions have been more resilient. Growth in business investment is strong and credit is readily available to both households and businesses.

There continue to be heightened uncertainties about the outlook for domestic economic activity and inflation. Resolution of the conflict in the Middle East is at an early stage, and there are plausible scenarios where inflation is higher and activity lower than envisaged under the May baseline forecasts. Global oil supply issues will take some time to resolve, maintaining upward pressure on global energy prices and inflation. At the same time, a period of prolonged uncertainty may also cause growth to be lower in Australia's major trading partners and in Australia.

- **Decision**

As expected, the disruption to global oil supply is having an impact on inflation. Higher fuel prices have added directly to inflation and there are indications that this is passing through to the prices of other goods and services, so inflation is likely to remain high for some time. This inflation impulse is in addition to the high inflation recorded around the start of 2026, reflecting capacity pressures in the economy.

The Board remains focused on ensuring that inflation does not become embedded once the impulse from higher oil prices has passed through. To achieve this, growth in demand needs to slow to reduce capacity pressures and help bring inflation back to target. Following the



three increases in the cash rate target since the beginning of the year, financial conditions are now tighter than they were, and there are signs that the economy is slowing as expected. But inflation is still too high and the Board judged that it was appropriate to leave the cash rate target unchanged while it assesses the response to previous interest rate rises and the impact of the oil supply disruption.

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, including increasing the cash rate target further if required.

Today's policy decision was unanimous.