Statement by the Monetary Policy Board: Monetary Policy Decision

Date: 29 September 2026

At its meeting today, the Board decided to increase the cash rate target by 25 basis points to 4.60 per cent.

Inflation remains elevated and some of the upside risks flagged in August are materialising. The conflict in the Middle East has broadened and global energy prices are now much higher than had been assumed in the August forecasts. AI-related demand is driving rapid growth in global prices for technology-related goods. And there remains pressure on domestic capacity. Liaison indicates that firms are experiencing cost pressures and are either increasing the prices of their goods and services or looking to do so. Short-term measures of inflation expectations remain elevated. And recent inflation outcomes in Australia were stronger than expected at the previous meeting.

Growth in output has slowed but, at the margin, was stronger than expected in the June quarter. There are signs that growth in consumer spending is easing gradually as expected, although housing prices have fallen in most capital cities and new housing loans have declined noticeably. Labour market conditions have eased broadly as expected in recent months, and labour market leading indicators are broadly stable. Meanwhile, growth in business investment and debt is strong.

There continue to be heightened uncertainties about the outlook for domestic economic activity and inflation. The Middle East conflict remains unresolved, and there are scenarios where inflation is higher and activity lower than forecast. Global oil supply disruptions are maintaining upward pressure on global and domestic energy prices and inflation. A period of prolonged uncertainty may also cause growth to be lower overseas and in Australia. To date, however, growth in Australia's major trading partners has been stronger than expected, as the boost from AI-related investment has outweighed the adverse effects of the Middle East conflict. In Australia, weak productivity growth continues to constrain potential growth and there are uncertainties about the economic effects of the downturn in the housing market.

- **Decision**

Since the previous meeting, some of the upside risks to inflation are materialising. There have been further disruptions to global oil supply and recent data suggest that growth and inflation in Australia have been higher than expected. Higher fuel prices have partially been passed through to prices of other goods and services. This inflation impulse is in addition to the effect of capacity pressures in the economy.

The Board remains focused on ensuring that high inflation does not become embedded. To achieve this, growth in aggregate demand needs to remain subdued for a period to reduce

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capacity pressures and bring inflation back to target. The three increases in the cash rate target since the beginning of the year have tightened financial conditions and the economy appears to be slowing. But inflation is still too high and the Board judged that, in light of recent developments, a further tightening in financial conditions is warranted to support a return of inflation to target in a reasonable period.

The Board will continue to do what it considers necessary to bring inflation sustainably back to target, including increasing the cash rate target further if needed. Accordingly, the Board will be attentive to the data and the evolving assessment of the outlook and risks to guide its decisions. Monetary policy is well placed to respond to developments, and the Board is focused on its mandate to deliver price stability and full employment.

Today's policy decision was unanimous.

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