



## PREVIEW: RBA Announcement due Tuesday 3rd February at 03:30GMT/22:30EST

- RBA is widely expected to hike the Cash Rate by 25bps to 3.85%
- Expectations recently shifted from a pause to a hike after strong jobs data and above-target inflation
- Participants will also be eyeing the central bank's language, SoMP and presser

**OVERVIEW:** The RBA will conclude its first two-day policy meeting of 2026 on Tuesday, whereby the central bank expected to hike rates for the first time in more than two years. A recent Reuters poll showed 24 of 31 economists surveyed expect the cash rate to be raised by 25bps to 3.85%, while the remaining seven forecast rates will be kept at the current 3.60%. Money market pricing implies a 76% probability of a 25bps hike, with a 24% chance of no change.

**RBA KEPT RATES UNCHANGED AT THE LAST MEETING WITH A HAWKISH PRESSER :** The RBA kept the cash rate unchanged at its last meeting for a third consecutive pause, as expected, in a unanimous decision. The language in the statement suggested the central bank remained data-dependent and offered few surprises. However, the hawkish kicker came from the post-meeting press conference, where RBA Governor Bullock commented that it looks like more rate cuts are not needed and revealed they did not consider a rate cut. While a rate hike was not explicitly debated, the board discussed the circumstances under which further tightening might be required. Bullock said if inflation looks persistent, would raise questions for policy, though she declined to put a timeline on any future move and stressed decisions would be taken meeting by meeting. She added she did not see rate cuts in the foreseeable future and said the outlook pointed to an extended pause or possible hikes. Inflation and jobs data were highlighted as key inputs for the February meeting.

**RECENT JOBS AND INFLATION DATA SUPPORTED THE CASE FOR A HIKE :** Recent data has strengthened the case for a rate hike, prompting a shift in consensus over the past few months. Australia's four largest banks have moved to expect a February hike, following a rebound in December jobs data. Employment rose by 65.2k (exp. 30k, prev. -21.3k), while the unemployment rate unexpectedly fell to 4.1% (exp. 4.4%, prev. 4.3%). December CPI also came in firmer than expected at 3.8% (exp. 3.6%). While headline Q4 CPI matched estimates, the RBA-preferred trimmed mean inflation exceeded forecasts and remained above the RBA's 2-3% target band.

**ANNOUNCEMENT:** The policy decision is due on Tuesday at 03:30GMT/22:30EST. Beyond the rate outcome, attention will focus on the RBA's language for signals on the future policy path. Markets will also scrutinise the Quarterly Statement on Monetary Policy, released alongside the decision. Previous SoMP forecasts assumed a cash rate of 3.60% through end-2024, 3.4% in June 2026 and 3.30% thereafter. Governor Bullock will hold a post-meeting press conference starting one hour after the announcement.

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