



PREVIEW: RBA Announcement due Tuesday, 17th March 2026 at 03:30GMT/23:30EDT

- RBA is widely expected to hike the Cash Rate by 25bps to 4.10%.
- Expectations recently shifted towards a hike due to hawkish RBA comments and oil-related pressures amid the Iranian conflict.
- Stronger-than-expected GDP provides space to continue efforts to tame inflation.

OVERVIEW: RBA will conclude its 2-day policy meeting on Tuesday where the central bank is expected to deliver a second consecutive rate hike as a recent Reuters poll showed 23 out of 30 economists expect the RBA to hike the Cash Rate by 25bps to 4.10% and the remaining seven economists forecast rates to be kept unchanged at the current 3.85% level. Money markets are pricing a 71% likelihood that the RBA will raise the Cash Rate, and just a 29% chance for no change, which has been a dramatic shift from about a week ago when markets were pricing about a 72% chance of a pause.

RBA HIKED RATES AT THE LAST MEETING AND WAS HAWKISH ON INFLATION: As a reminder, the RBA hiked rates for the first time in more than two years at the February meeting to lift the Cash Rate by 25bps to 3.85%, which was as expected, with the rate decision unanimous, while it said that inflation is likely to remain above target for some time and that broad measures of wage growth continue to be strong. RBA also stated that job market conditions are a little tight and that capacity pressures are greater than previously assessed, as well as noted that there are uncertainties about the outlook for domestic economic activity and inflation, and the extent to which monetary policy is restrictive. RBA Governor Bullock provided some hawkish-leaning comments during the press conference, as she noted the pulse of inflation is too strong, and that high inflation hurts all Australians, while she stated that the Board thinks inflation will take longer to return to the target, and they cannot allow inflation to get away from them. Furthermore, Bullock kept her options open as she didn't know if this would be a tightening cycle and couldn't rule anything in or out, while she separately commented that the central bank will monitor data and act if inflation becomes entrenched, warning that further rate hikes may be needed.

EXPECTATIONS RECENTLY SHIFTED TOWARDS A HIKE AMID IRAN CONFLICT AND OIL SURGE: There have been increasing calls for a back-to-back hike given the inflationary pressures from the recent upside in oil prices stemming from the Iran war and disruption of shipping in the Strait of Hormuz, with RBA Governor Bullock recently suggesting there is a live chance for a March hike given the Iran war inflation risk, while Deputy Governor Hauser also stated that there will be a very genuine policy debate at the board meeting, with arguments on both sides. Nonetheless, some of the oil-related pressures have since eased from recent extremes and US President Trump has even hinted at an end to the war 'very soon', although there haven't been many signs of the conflict abating and a number of banks have adjusted their calls with the likes of Goldman Sachs, Bank of America, UBS and all of Australia's big four banks in the rate hike camp for this meeting.

A PAUSE CANNOT BE COMPLETELY RULED OUT, ALTHOUGH THE DATA SUPPORTS A HIKE: As the central bank had only just raised rates last month, it could be argued that policymakers may want to wait before adjusting rates again to gauge the effect of its past actions and to get a clearer picture of the impact of the conflict in the Middle East. However, the data suggests there is more policy room for a hike after Australian GDP data for Q4 topped forecasts with GDP Q/Q at 0.8% vs. Exp. 0.6% (Prev. 0.4%) and GDP Y/Y at 2.6% vs. Exp. 2.2% (Prev. 2.1%), while the central bank would also likely want to keep a lid on inflation.

ANNOUNCEMENT: The policy announcement is scheduled for Tuesday at 03:30GMT/23:30EDT and aside from the decision on rates, attention will also be on the statement for clues on future policy, given that some banks are even calling for back-to-back hikes through to the May meeting. Furthermore, RBA Governor Bullock will also be conducting a post-meeting press conference, which will begin an hour after the initial announcement.

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