PREVIEW: RBA Announcement due at 05:30BST/00:30EDT on Tuesday, 5th May 2026

- **Expected to hike the Cash Rate by 25bps to 4.35%.**
- **Expectations shifted significantly in favour of a hike following a pickup in headline and core inflation.**
- **A resilient labour market provides policy room to further tighten.**

OVERVIEW: The RBA will conclude its policy meeting on Tuesday where the central bank is expected to deliver a third consecutive rate hike, as a recent Reuters poll showed 30 out of 33 economists expect the RBA to hike the Cash Rate by 25bps to 4.35%, while only three economists forecast rates to be kept unchanged at the current 4.10% level. Money markets are also pricing around a 71% likelihood that the RBA will raise the Cash Rate.

RBA HIKED RATES AT THE LAST MEETING AND REMAINED HAWKISH: As a reminder, the RBA hiked rates at the March meeting, lifting the Cash Rate by 25bps to 4.10%, which marked the second increase this year. The Board noted that inflation had picked up materially and warned that capacity pressures remained high, while Governor Bullock maintained a hawkish tone by suggesting that inflation with a three in front of it is unacceptable and that the Board is prepared to act if price pressures prove persistent. Furthermore, the central bank kept its options open regarding further tightening and continued to stress that returning inflation to the 2-3% target range remains its priority.

EXPECTATIONS SHIFTED TOWARDS A HIKE AMID STICKY INFLATION: The case for a May hike has been bolstered by March quarter inflation data which showed headline CPI rising to 4.6%, well above the RBA's target band, while core inflation also edged higher to 3.5%. Some of the inflation impulse has been supply-driven, with crude prices remaining elevated amid the Middle East conflict and disruption around the Strait of Hormuz. Nonetheless, the rise in core inflation suggests domestic price pressures remain sticky, and all of Australia's big four banks — ANZ, CBA, NAB and Westpac — are now in the rate hike camp for this meeting.

A PAUSE CANNOT BE COMPLETELY RULED OUT: As the RBA has already tightened policy twice this year, it could be argued that policymakers may prefer to wait and assess the impact of previous hikes, particularly with consumer sentiment still fragile. However, the data suggests there is more policy room for further tightening as the labour market remains resilient, with unemployment holding around 4.3%, while Q4 GDP also topped expectations at 0.8% Q/Q and 2.6% Y/Y. As such, the RBA will likely be mindful that the economy has not yet cooled sufficiently to ensure inflation returns sustainably to target.

ANNOUNCEMENT: The policy announcement is scheduled for Tuesday at 05:30BST/00:30EDT/14:30 AEST, and aside from the decision on rates, attention will be on the accompanying statement for clues on whether this marks the peak or if further tightening remains on the table. Furthermore, Governor Bullock's post-meeting press conference at 06:30BST/01:30EDT/15:30AEST will also be closely watched for any hints on future policy.

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