

# NAB Monetary Policy Update 24 Sep 2025

## The RBA to remain on hold for an extended period

### NAB Economics



#### Key points

- We now see the RBA on hold at 3.6% until May (previously cuts in November and February)
- Today's CPI data point to a 0.9%-1.0% qoq outcome for Q3 trimmed mean, which would be a 0.3ppt upside surprise to current RBA forecasts.
- The detail shows that market services inflation is significantly hotter than we expected.
- For the RBA, this means considerably less certainty that inflation has settled near 2.5% and highlights the likelihood that it will take a period of modestly restrictive policy for inflation to settle at 2.5%.

#### RBA to pause

Today's inflation data suggest that the quarterly trimmed mean measure is likely to print at 0.9%-1.0% qoq for Q3. This is a meaningful upside surprise to the RBA's standing forecast of a 0.64% quarterly rise in the trimmed mean measure.

Consequently, we no longer see the RBA delivering 25bp cuts in November 2025 and February 2026. Our new profile for the cash rate sees policy on hold at 3.6% for an extended period before a cut in May 2026

While the RBA has cautioned against reading too much into monthly inflation data and exhibited a strong preference to wait for quarterly inflation prints before moving policy, we think the signal in today's data is too strong to ignore. Beyond the headline CPI indicator which was impacted by both base effects and the resumption of electricity rebates, the market services components were hotter than we had expected and this dynamic will be reflected in the quarterly inflation print.

These components typically tend to be more persistent than other components and paint a materially different picture to the benign outcomes seen in Q2. While we have not changed our underlying assessment of labour market pressures, it appears that the rebound in consumer spending has allowed businesses to pass on still elevated

cost pressures. Evidence of margin expansion has also been reflected in a rise in the NAB Survey measure of profitability over recent months.

For the RBA, the starting point for today's data was an economy where recent activity data had been "...slightly stronger" than forecast, as noted by the RBA Governor yesterday. With question marks over the economy's supply capacity and the degree of tightness in the labour market already front of mind, the RBA was always going to be sensitive to the risk that the economy could reach growth rates above trend even with a benign inflation outlook.

After today's data, the RBA will now need to reconsider implications of stronger growth momentum against a backdrop of core inflation which is now likely to annualize closer to the top of the 2-3% target band over the next 6 months.

We suspect it will take at least two, if not three, quarterly inflation prints to resolve the extent of signal in the Q3 inflation data. Elevated uncertainty about the underlying pulse of inflation, against a backdrop of modestly better activity data, argues for a long pause in the rate cycle in which the stance of policy remains modestly restrictive.

At this point, our expectation is that a period of modestly restrictive policy will be both necessary and sufficient to eventually force the trajectory of core inflation onto a path consistent with the RBA's target mandate. Accordingly, we have placed in a final easing into our rate profile for May 2026. This forecast sees a terminal cash rate of 3.35%. We see risks to that cash rate outlook as balanced.

#### Authors

##### Sally Auld

Group Chief Economist  
+(61 0) 422 224 752

##### Gareth Spence

Head of Australian Economics  
+(61 0) 422 081 046

##### Taylor Nugent

Senior Economist  
+(61 0) 452 671 752

## Group Economics

Sally Auld  
Group Chief Economist  
+(61 0) 422 224 752

Jacqui Brand  
Executive Assistant  
+(61 0) 477 716 540

Dean Pearson  
Head of Behavioural &  
Industry Economics  
+(61 0) 457 517 342

## Australian Economics

Gareth Spence  
Head of Australian  
Economics  
+(61 0) 422 081 046

Michael Hayes  
Economist  
+(61 0) 411 186 777

## Behavioural Economics

Robert De Iure  
Senior Economist –  
Behavioural & Industry  
Economics  
+(61 0) 477 723 769

Brien McDonald  
Senior Economist –  
Behavioural & Industry  
Economics  
+(61 0) 455 052 520

Thao Nguyen  
Economist – Data &  
Analytics  
+(61 0) 451 203 008

## International Economics

Tony Kelly  
Senior Economist  
+(61 0) 477 746 237

Gerard Burg  
Senior Economist –  
International  
+(61 0) 477 723 768

## Global Markets Research

Skye Masters  
Head of Research  
Corporate & Institutional  
Banking  
+(61 2) 9295 1196

## Important notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.