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Chalmers Cautions on Rate Cut Despite Inflation Drop

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Treasurer Jim Chalmers warns against expecting an August rate cut despite encouraging inflation figures, tempering market optimism.

Treasurer Jim Chalmers has urged Australians to temper expectations for an August interest rate cut, despite recent inflation data described as “outstanding.” The Australian Bureau of Statistics (ABS) reported on July 30, 2025, that headline Consumer Price Index (CPI) inflation held steady at 2.4% for the year to June, while the Reserve Bank of Australia’s (RBA) preferred trimmed mean inflation fell to 2.8%, within its 2–3% target band. These figures,

released yesterday, have fueled market confidence, with National Australia Bank (NAB) pricing in a 60% chance of an RBA rate cut next month.

Chalmers, speaking at a press conference, called the inflation data an “important reminder” that economic progress remains fragile. He cautioned against assuming the RBA would lower the cash rate from 4.35%, unchanged since November 2023, after it held rates in July despite market hopes for a cut. “The market’s view on rate cuts is firm, but these numbers don’t guarantee action,” he said, emphasizing the need for sustained stability. The RBA’s July decision disappointed homeowners grappling with high borrowing costs, and Chalmers’ remarks signal ongoing caution.

The trimmed mean inflation drop from 3.2% in the March quarter to 2.8% marks the lowest level since March 2022, reflecting the impact of government policies like energy rebates. However, Shadow Treasurer Angus Taylor criticized the Albanese government’s economic management, arguing that “Australians are still feeling the pinch of high prices.” He pointed to sluggish 0.3% quarterly GDP growth in September 2024 as evidence of weakness.

Economists remain divided. Commonwealth Bank of Australia’s (CBA) Gareth Aird said the RBA is “on track” for a potential cut in September, citing the inflation trend, but warned it’s “not certain.” Meanwhile, global pressures, including supply chain disruptions, could complicate the RBA’s decision, according to Macquarie University’s Lisa Magnani.

Chalmers acknowledged the public’s cost-of-living struggles, noting that the government’s focus remains on responsible budgeting. The RBA’s next meeting on August 5–6, 2025, will be closely watched, with markets and households awaiting clarity. For now, Chalmers’ warning underscores a cautious approach, urging restraint amid rising hopes for relief.