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Australia Faces Prolonged Rate Cut Cycle

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Economists anticipate an extended period of monetary easing as the Reserve Bank of Australia (RBA) signals further interest rate reductions following its initial 25 basis point cut. Market pricing suggests at least three additional decreases could materialize by mid-2026, potentially lowering the cash rate below 3.0% as inflation stabilizes within the target band. This outlook stems from consecutive quarters of softening economic data, including declining retail sales and moderating wage

growth, which have eased previous concerns about overheating. Analysts note the RBA's cautious approach reflects lessons from international counterparts who faced inflationary rebounds after premature policy loosening.

Recent Australian Bureau of Statistics (ABS) figures reveal underlying economic weakness, with June quarter GDP growth slowing to 0.3% and household consumption stagnating. The property market has responded swiftly to easing expectations, with CoreLogic reporting a 2.1% national price increase since the RBA's July pause. However, commercial bank  face mounting pressure to pass on full rate cuts after retaining significant margins during the tightening cycle. Small business advocates warn that delayed transmission of monetary policy could prolong financial stress for enterprises carrying pandemic-era debt burdens.

Global central bank actions continue influencing Australia's policy trajectory, particularly the US Federal Reserve's delayed easing schedule and China's economic slowdown. Currency analysts note the Australian dollar's 6% depreciation against the USD this year provides some export relief but risks importing inflation through costlier manufactured goods. Domestic manufacturers report mixed impacts, with import-dependent sectors facing margin pressures while commodity exporters benefit from competitive pricing. The RBA's forthcoming quarterly Statement on Monetary Policy will likely emphasize data-dependent flexibility given these crosscurrents.

As Australia navigates this delicate economic transition, the extended easing cycle presents both opportunities and risks. Borrowers stand to gain substantial relief, with analysts estimating potential \$1,200 monthly savings on average mortgages by mid-2026. However, policymakers

remain vigilant against reigniting asset bubbles or undermining recent progress on inflation. The RBA's challenge lies in calibrating stimulus to support growth without compromising price stability, a balancing act that will define Australia's economic trajectory through the remainder of the decade.

