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RBA Holds Rates Steady as Inflation Remains High

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Millions of Australian mortgage holders are facing continued financial strain, as the Reserve Bank of Australia (RBA) confirmed it will not cut interest rates in the near term. Despite signs of easing inflation, the central bank has opted to keep the cash rate on hold at 3.85 per cent, citing ongoing concerns about price stability.

Speaking at the Anika Foundation Fundraising Lunch in Sydney on Thursday, RBA Governor Michele Bullock said there is not yet enough evidence that inflation will remain sustainably

within the bank's preferred target range of 2 to 3 per cent. As a result, borrowers hoping for a rapid easing of monetary policy in late 2025 or early 2026 may be disappointed.

"Interest rates in Australia did not rise as high as they did in some other economies, and so we may not need to lower them as much on the way down," Bullock explained. She added that a "measured and gradual" approach to rate adjustments remains the most appropriate course of action.

Australia's current cash rate is moderately higher than those of comparable economies, including Canada (2.75 per cent) and New Zealand (3.25 per cent). Despite this, Australian mortgage holders continue to face steeper repayments, due to factors such as shorter fixed-rate terms and ongoing cost-of-living pressures.

While underlying (trimmed-mean) inflation in Australia eased to 2.4 per cent in May, Bullock emphasized that maintaining control over inflation was more important than aligning with global trends in rate cuts.

"Some other countries did raise their interest rates much higher. Countries like Canada and New Zealand experienced higher unemployment," she said. Her remarks suggest that the RBA remains focused on achieving price stability while avoiding undue risks to employment and growth.

The decision to hold rates steady surprised some financial analysts, with markets having priced in a potential rate cut in July. However, the central bank's cautious tone highlights a commitment to data-driven policymaking, with further decisions likely hinging on the upcoming June-quarter CPI and labour market figures.

For everyday Australians with mortgages, the outcome means continued pressure on household budgets particularly as high grocery, energy, and housing costs persist.

The RBA's next monetary policy meeting is scheduled for August 12, and market watchers will be paying close attention to any shift in tone or forward guidance.

As it stands, Australia's monetary policy remains tighter than many of its peers, with the RBA signaling it is not yet ready to join the global trend of rate reductions.