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## Big Four Banks Predict RBA Rate Cut

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Australia's major financial institutions – Commonwealth Bank, Westpac, NAB and ANZ – have unanimously forecast a 25 basis point reduction to the cash rate ahead of Tuesday's Reserve Bank of Australia (RBA) meeting. This anticipated cut would mark the first easing of monetary policy since the current tightening cycle began in 2022. The banks' economists suggest this initial reduction could be followed by additional

cuts totaling 75 basis points by mid-2025, providing substantial relief to mortgage holders and businesses alike.

The coordinated forecasts from Australia's banking heavyweights reflect growing confidence that inflationary pressures have sufficiently eased to warrant policy loosening. Recent economic data shows annual inflation cooling to 4.3%, within the RBA's target band, while consumer spending and business investment remain subdued. Market analysts note the banks' predictions carry significant weight, given their direct access to real-time spending patterns through customer transaction data. However, some economists caution that persistent services inflation and a tight labor market could prompt the RBA to maintain a cautious approach.



Potential rate cuts would deliver immediate benefits to variable-rate mortgage holders, with a 25 basis point reduction saving approximately \$100 monthly on a \$600,000 loan. The banking sector itself stands to benefit from improved credit growth and reduced arrears, though net interest margins may face pressure. Property market observers anticipate the cuts could reignite housing demand, particularly in Sydney and Melbourne where prices have shown recent softness. Small businesses, especially in discretionary spending sectors, may also experience relief as consumer confidence improves.

As the RBA prepares its decision, all eyes will be on accompanying guidance about future policy direction. While the Big Four's forecasts suggest a dovish pivot, the central bank may prefer keeping its options open amid global economic uncertainty. Whatever the outcome, Tuesday's decision marks a critical juncture for Australia's economic trajectory after two years of restrictive monetary policy. For households and businesses weathering cost-of-living pressures, the banks'

predictions offer hope that financial conditions may finally be turning a corner. The coming months will reveal whether this anticipated easing cycle delivers the soft landing policymakers have been carefully engineering.

