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RBA to Cut Rates August 12

August 8, 2025

– Categories: Finance



The Reserve Bank of Australia (RBA) is widely expected to reduce the official cash rate by 25 basis points to 3.60% at its upcoming meeting on August 12. This anticipated move follows a period of easing inflation, with consumer prices now within the RBA's target range of 2-3%. Economists and market participants also predict the central bank will likely follow up with another rate cut before the end of 2025, as part of a cautious

strategy to support economic growth without reigniting inflationary pressures.

Recent economic data indicates that inflation in Australia has slowed after a series of previous hikes aimed at cooling the economy. Retail sales figures have softened, and employment growth is showing signs of moderation. This has prompted traders to price in an 82% chance of a rate cut at the August meeting, reflecting broad confidence in the RBA's pivot toward easier monetary policy.

The RBA's decision will also consider mixed signals across sectors.

While the housing market has demonstrated a national rebound, other parts of the economy, such as manufacturing and discretionary retail, continue to face challenges. The Australian dollar has depreciated approximately 4% against the US dollar since June, which benefits exporters by making Australian goods more competitive overseas but simultaneously increases the cost of imports, adding some inflationary pressure.

Traders expect the RBA to maintain a gradual approach, with a potential additional cut in November that could bring the cash rate down to 3.35% by year-end. However, RBA Governor Michele Bullock has stressed that future policy moves will depend heavily on economic data. If wage growth or inflation in the services sector proves more persistent than anticipated, the central bank may delay further easing.

The RBA is set to release updated quarterly economic forecasts on August 9. These projections will provide crucial insight into the bank's outlook on inflation, growth, and the labour market, guiding its monetary policy decisions for the rest of the year.

Globally, central banks are adopting divergent stances on interest rates. While some are tightening to combat inflation, the RBA's easing cycle aims to carefully balance supporting the Australian economy without overheating it. Borrowers are likely to welcome the relief from lower borrowing costs, particularly in the housing and business sectors.

However, the RBA's approach also signals caution against premature stimulus that could undo progress in stabilizing inflation. Achieving a “soft landing” for the economy—a scenario where growth continues without a surge in inflation is a difficult task amid ongoing geopolitical tensions financial market volatility.

As the inflation battle nears its final phase, the RBA's measured easing will be closely watched by investors, businesses, and households alike. The coming months will reveal whether the central bank's strategy successfully navigates the challenges ahead, supporting economic stability while preventing new inflationary spikes.

