

RBA raises official cash rate to 4.60% in fourth increase of 2026

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Key points

- RBA lifts the cash rate by 25 basis points to 4.60%.
- It's the fourth increase in the official cash rate in 2026.
- The RBA says further increases remain possible if needed.

The Reserve Bank of Australia (RBA) has increased the official cash rate by 25 basis points to 4.60%, marking its fourth interest rate rise of 2026.

The Monetary Policy Board said in its statement accompanying the decision that inflation remained elevated, with some of the risks it identified at its August meeting now materialising.

The move follows three increases in the cash rate since the beginning of the year and means rates have risen by a total of 100 basis points in 2026.

The Board said recent inflation outcomes in Australia had been stronger than had been expected at its previous meeting. Higher global energy prices and domestic capacity pressures were also adding to the inflation outlook.

Why did the RBA raise rates?

The RBA pointed to several sources of inflation pressure, including the widening conflict in the Middle East and higher global energy prices.

It said AI-related demand was also driving rapid growth in global prices for technology-related goods, while Australian firms continued to face cost pressures.

The RBA said discussions with businesses indicated firms were either raising prices or considering doing so, while short-term measures of inflation expectations remained elevated.

“Since the previous meeting, some of the upside risks to inflation are materialising,” the Board said.

“There have been further disruptions to global oil supply and recent data suggest that growth and inflation in Australia have been higher than expected.”

Higher fuel prices were also starting to flow through to the prices of other goods and services, adding to existing capacity pressures in the economy.

If everyone's feeling the squeeze, where's all this inflation coming from?

Many of us are feeling under cost-of-living pressure, so what's causing the inflation the RBA acknowledges is making Australians “furious”?

Economy showing signs of slowing

The RBA said growth in economic output had slowed, although the June quarter was slightly stronger than expected.

Consumer spending was gradually easing, while housing prices had fallen in most capital cities and new housing loans had declined noticeably.

Labour market conditions had also eased broadly as expected in recent months.

At the same time, the RBA said business investment and debt continued to grow strongly and weak productivity growth was constraining the economy's potential growth.

The Board said the three earlier rate increases this year had tightened financial conditions and the economy appeared to be slowing.

"But inflation is still too high and the Board judged that, in light of recent developments, a further tightening in financial conditions is warranted to support a return of inflation to target in a reasonable period," it said.

Could interest rates rise again?

The RBA left the door open to further increases in the official cash rate.

"The Board will continue to do what it considers necessary to bring inflation sustainably back to target, including increasing the cash rate target further if needed," it said.

The RBA said it would continue to assess incoming economic data and changes in the outlook and risks when making future decisions.

The decision to increase the cash rate was unanimous, the RBA's Board said.

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