At its meeting today, the Board decided to ~~lower~~leave the cash rate target ~~to~~unchanged at 4.10 per cent and the interest rate paid on Exchange Settlement balances ~~to~~at 4 per cent.

Underlying inflation is moderating.

Inflation has fallen substantially since the peak in 2022, as higher interest rates have been working to bring aggregate demand and supply closer towards balance. ~~In the December quarter~~ Recent information suggests that underlying inflation ~~was 3.2 per cent, which suggests inflationary pressures are easing a little more quickly than expected. There has also been continued subdued growth~~continues to ease in ~~private demand and wage pressures have eased. These factors give~~line with the most recent forecasts published in the February *Statement on Monetary Policy*. Nevertheless, the Board ~~more confidence~~needs to be confident that this progress will continue so that inflation ~~is moving sustainably towards~~returns to the midpoint of the ~~2–3 per cent~~ target ~~range~~band on a sustainable basis. It is therefore cautious about the outlook.

~~However, upside risks remain. Some recent labour market data have been unexpectedly strong, suggesting that the labour market may be somewhat tighter than previously thought. The central forecast for underlying inflation, which is based on the cash rate path implied by financial markets, has been revised up a little over 2026. So, while today's policy decision recognises the welcome progress on inflation, the Board remains cautious on prospects for further policy easing.~~

The Board noted that monetary policy is well placed to respond to international developments if they were to have material implications for Australian activity and inflation.

The outlook remains uncertain.

~~Growth in output has been weak, private~~Private domestic demand ~~is~~appears to be recovering ~~a little more slowly than earlier expected, and there is uncertainty around the extent to which the recovery in~~, real household ~~spending in late 2024 will persist. Wage pressures~~incomes have ~~eased a little more than expected, housing cost inflation is abating, and~~picked up and there has been an easing in some measures of financial stress. However, businesses in some sectors continue to report that ~~it has been hard~~weakness in demand makes it difficult to pass on cost increases to final prices.

At the same time, a range of indicators suggest that labour market conditions remain tight ~~and,~~. Despite a decline in ~~fact, tightened a little further~~employment in ~~late 2024. Measures~~February, measures of labour underutilisation ~~have declined,~~are at relatively low rates and business surveys and liaison suggest that availability of labour is still a constraint for a range of employers. ~~Furthermore,~~Wage pressures have eased a little more than expected but productivity growth has not picked up~~, which implies that~~ and growth in unit labour costs remains high.

There are notable uncertainties about the outlook for domestic economic activity and inflation. The central projection is for growth in household consumption to continue to increase as income growth rises. But there is a risk that any pick-up in consumption is slower than expected, resulting in continued subdued output growth and a sharper deterioration in the labour market than currently ~~projected~~expected. Alternatively, labour market outcomes may prove stronger than expected, given the signal from a range of leading indicators.

More broadly, there are uncertainties regarding the lags in the effect of monetary policy and how firms' pricing decisions and wages will respond to the ~~slow growth in the economy~~demand environment and weak productivity outcomes while conditions in the labour market remain tight.

Uncertainty about the outlook abroad also remains significant. On the macroeconomic policy front, recent announcements from the United States on tariffs are having an impact on confidence globally and this would likely be amplified if the scope of tariffs widens, or other countries take retaliatory measures. Geopolitical ~~and policy~~ uncertainties are also pronounced~~ and may themselves bear down on~~. These developments are expected to have an adverse effect on global activity~~ in many countries~~, particularly if households and firms delay expenditures pending greater clarity on the outlook. ~~Most~~Inflation, however, could move in either direction. Many central banks have ~~been easing~~eased monetary policy ~~as~~since the start of the year, but they have become ~~more confident that inflation is moving sustainably back towards their respective targets. But market expectations for further easing have moderated somewhat in recent months, particularly in the United States~~increasingly attentive to the evolving risks from recent global policy developments.

Sustainably returning inflation to target is the priority.

Sustainably returning inflation to target within a reasonable timeframe ~~remains~~is the Board's highest priority. This is consistent with the RBA's mandate for price stability and full employment. To date, longer term inflation expectations have been consistent with the inflation target and it is important that this ~~remains~~remain the case.

The Board's assessment is that monetary policy ~~has been~~remains restrictive~~ and will remain so after this reduction~~. The continued decline in ~~the cash rate. Some of the upside risks to~~underlying inflation ~~appear to have eased and~~ is welcome, but there are ~~signs that disinflation might be occurring a little more quickly than earlier expected. There are~~ nevertheless risks on both sides~~.~~

~~The forecasts published today suggest that, if monetary policy is eased too much too soon, disinflation could stall, and inflation would settle above the midpoint of the target range. In removing a little of the policy restrictiveness in its decision today,~~ and the Board ~~acknowledges that progress has been made but~~ is cautious about the outlook.

The Board will ~~continue to~~ rely upon the data and the evolving assessment of risks to guide its decisions. In doing so, it will pay close attention to developments in the global economy and financial markets, trends in domestic demand, and the outlook for inflation and the labour market. The Board ~~remains~~is resolute in its determination to sustainably return inflation to target and will do what is necessary to achieve that outcome.