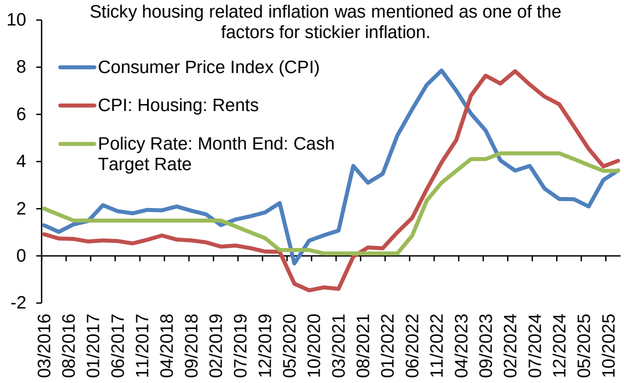
Mizuho Flash: RBA

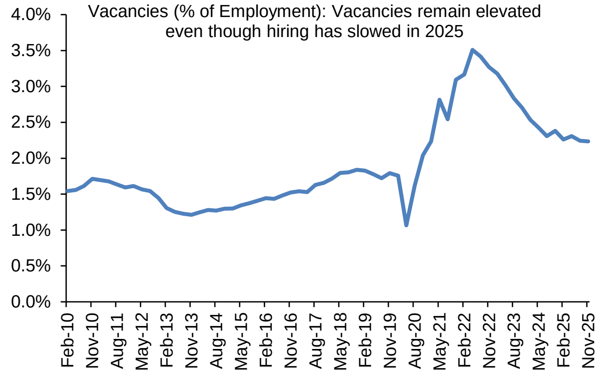
Economics & Strategy | Asia ex-Japan

4 February 2026 | Tan Boon Heng | Market Economist

RBA: Path Reassessed



Sources:CEIC Mizuho



Sources:CEIC; Mizuho

- While the RBA's decision to hike the cash rate by 25bp was not an outright surprise, the unanimous nature of the decision and the openness of the RBA to further hikes even if data dependent necessitates **a reassessment of our expectations about the RBA's policy path in 2026.**
- First, the unanimous nature of the decision with **no dissent from any non-executive members** perhaps reflects some underlying confidence about labour markets or at the very least the balance of risks tilts towards inflation.
- To be clear, GDP growth is likely to remain below pre-pandemic growth rates (2015-29 average: 2.5%) even though pockets of mining and data centre related resilience may remain supportive.
- Second, despite noting the temporary nature of electricity on headline inflation, the **RBA was willing to raise rates with trimmed mean at 3.4% in Q4 on account of a much-delayed return of inflation back within target**.
- Housing inflation was also mentioned in the Statement on Monetary Policy as a driver of underlying inflation and given our well-noted **high base effects of aiding rental dis-inflation fading and passthrough of earlier rate cuts on housing prices which tend to be sticky in nature**.
- In fact, there remain tail risks of a perverse surge in housing demand/prices ahead of potential rate increases even if the main narrative will be one of a headwind.
- As such, stickier trimmed mean inflation prints alone which will prolong the return to the mid-point of the target range would be sufficient for one hike in Q2 and Q3 respectively. Back-to-back hikes may remain a high bar, barring an outright acceleration of inflationary pressures.
- Third, the data **centre demand buildout alongside mining sector robustness may backstop resilient in labour markets**. Various large-scale commitments in recent years from Amazon, Microsoft, OpenAI bodes well for both construction, energy and downstream IT related services sectors. Admittedly, the capital-intensive nature of these commitments imply that job gains may not be as outsized.
- Lastly, our revised RBA path further underpins our upside bias on the AUD, aiding the structural and cyclical tailwinds. (See Mizuho Brief: AUD: Cyclical & Structural Stars Aligning?)

	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027
Policy Rate (%)	**3.60%**	3.85%	4.10%	4.35%	4.35%	4.35%
USD/AUD	**0.642-0.673**	0.632-0.722	0.637-0.725	0.637-0.72	0.64-0.735	0.64-0.745
	0.667	0.691	0.695	0.705	0.721	0.726
GDP (% YoY)	1.9	2.1	2.0	1.7	1.6	1.6
CPI (% YoY)	**3.6**	3.6	3.4	2.9	2.8	2.8