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## Reserve Bank should not raise interest rates tomorrow with Business Confidence and Consumer Confidence at, or near, record lows and real unemployment near a record high

By Gary Morgan, Michele Levine and Julian McCrann

The Reserve Bank of Australia (RBA) meets tomorrow to decide whether to adjust official interest rates and there are calls from media commentators for the RBA to raise interest rates for a third consecutive meeting due to the spike in the official [ABS CPI reading for the 12 months to March – reported at 4.6%, up from 3.7% for the 12 months to February](#).

However, it would be a mistake for the RBA to increase interest rates tomorrow and ignore the key economic indicators that show the Australian economy is already in a weakened state, and perhaps already in a recession.

If the RBA does raise interest rates tomorrow this it would most likely plunge Australia into a **'recession we don't have to have'** – if we aren't already in one.

The latest [Roy Morgan Business Confidence for April – released in full today](#) – shows the index crashing 14.2 points in April to a record low of only 76.5 – below the previous record low reached at the onset of the COVID-19 pandemic in 2020 of 76.9.

All five Business Confidence sub-indices plunged in April, and businesses are increasingly concerned about the state of the economy. A large majority of 61.3% (up 13.5% points) of businesses expect 'bad times' for the Australian economy over the next year, and almost three-quarters, 73.4% (up 7% points) expect 'bad times' for the economy over the longer-term of the next five years.

Roy Morgan's Business Confidence has plummeted 28.5 points since December 2025 and around half this decline (-14.2 points) occurred in the month of April alone.

Australian consumers are even more pessimistic. The latest [ANZ-Roy Morgan Consumer Confidence Rating is at only 67.8](#) – over 30 points below the neutral level of 100. This is the seventh lowest Consumer Confidence reading of all-time – and the all-time record low of 58.8 was reached only a few weeks ago. Six of the seven lowest Consumer Confidence readings of all time have occurred in the last six weeks.

The plunging level of Business Confidence and Consumer Confidence during 2026 is bad enough, but the weakness in the economy is really exemplified by the continuing high level of labour underutilisation.

The latest [Roy Morgan real unemployment and under-employment estimates for March](#) show 20.9% of the Australian workforce are either unemployed (1.693 million, 10.5% of the workforce) or under-employed (1.687 million, 10.4% of the workforce).

Even more concerning, Roy Morgan real unemployment estimates have been consistently above 3 million for 16 straight months stretching back to late 2024.

A further increase to official interest rates, tomorrow, on top of two interest rate increases by the [RBA already in February and March – by a total of 0.5% to 4.1%](#) - will increase mortgage stress, real unemployment and under-employment and ensure the damage to the Australian economy is needlessly increased and a likely deep recession guaranteed.

FOR IMMEDIATE RELEASE

The other factor to understand is that although the widely important ABS headline inflation rate increased 0.9% points to 4.6% in March, the underlying inflation rate – known as the ‘trimmed mean’ inflation – was unchanged in March at 3.3%.

In other words, the underlying level of inflation in the economy was unchanged in March despite the damaging headlines and media commentary which accompanied the release of the ABS inflation data. Once volatile and short-term price changes were stripped out – there was no increase to inflation in the real economy.

All these factors taken together show the Australian economy, most importantly signified by record low Business Confidence, near record low Consumer Confidence, and near record high unemployment and under-employment, is in a fragile state and a further interest rate increase tomorrow will cause damage to the economy and even further increases in real unemployment and under-employment.

The Reserve Bank **SHOULD NOT** make a historic mistake tomorrow and raise interest rates again for a third straight month that will force Australia into the ‘recession we don’t have to have.’

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To learn more about Roy Morgan’s [Business Confidence](#), [Consumer Confidence](#) and [Inflation Expectations](#) data call (+61) (3) 9224 5309 or email [askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com).

### About Roy Morgan

Roy Morgan is Australia’s largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 80 years’ experience collecting objective, independent information on consumers.

### Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
1,000	±3.0	±2.7	±1.9	±1.3
5,000	±1.4	±1.2	±0.8	±0.6
50,000	±0.4	±0.4	±0.3	±0.2