



Economic Update

Too many shocks
Too little slack

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September 2026

RBA pricing has been ratcheting higher

Markets pricing policy rates near 5%



● August 2025 – cutting towards 3%

- Global growth was resilient
- Financial conditions were not restrictive
- Local ‘boomlet’ hit constraints and drove inflation

● February – recalibration in order

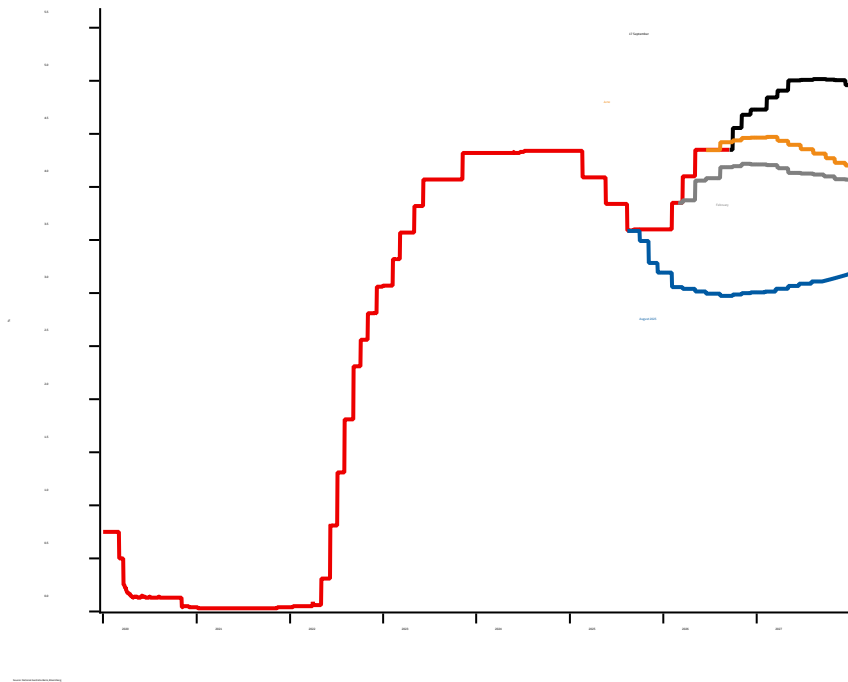
- 75bp of hikes delivered

● June – weighing inflation against growth

- Resilient growth and stronger inflation at home
- Surging global yields and renewed cost shock offshore

● Today – Pricing cash rate near 5%

RBA Market Expectations

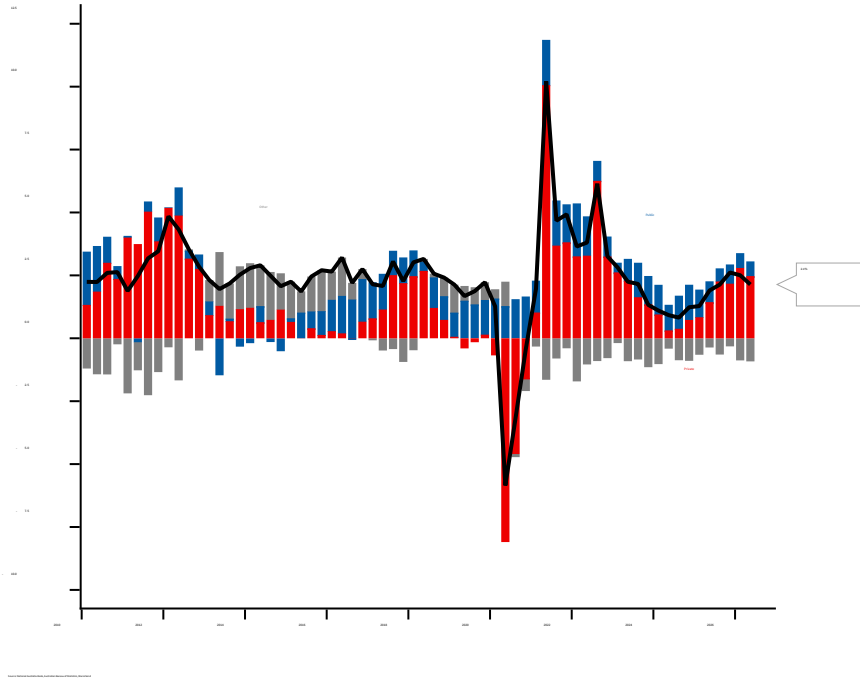


Activity growth has slowed

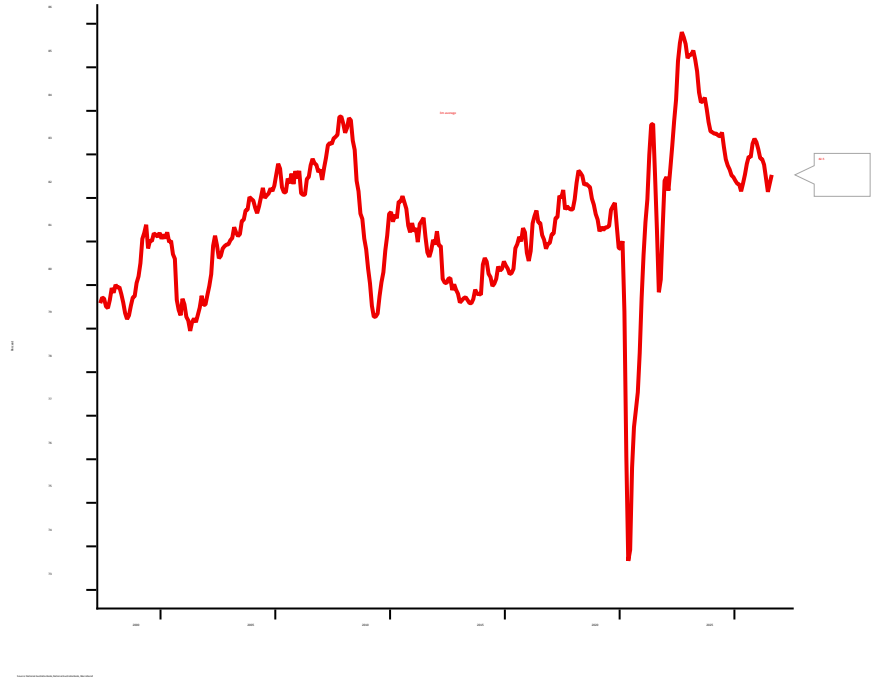
But has generally been resilient and capacity pressures remain



Contributions to GDP growth



Capacity utilisation

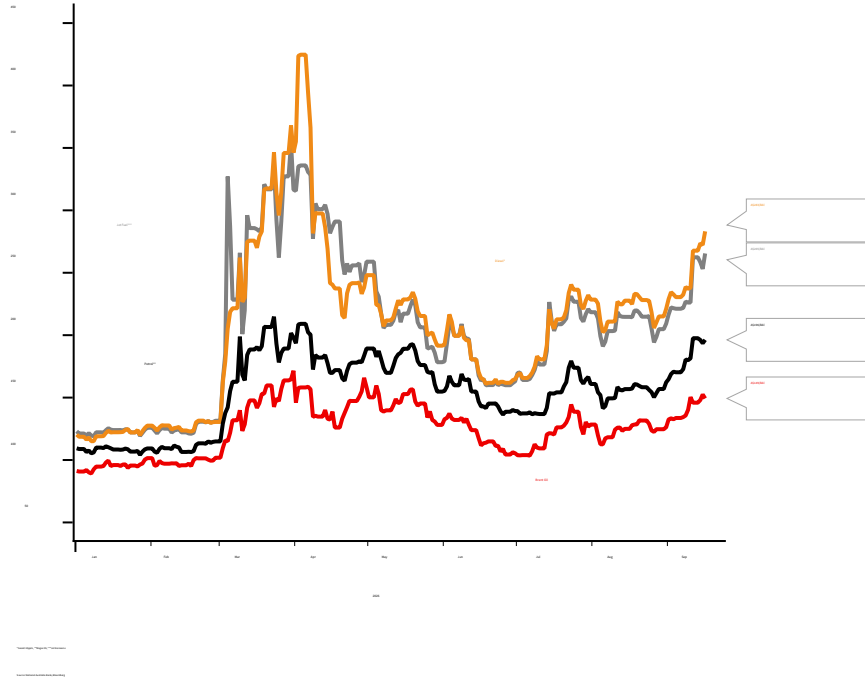


The cost shock is large

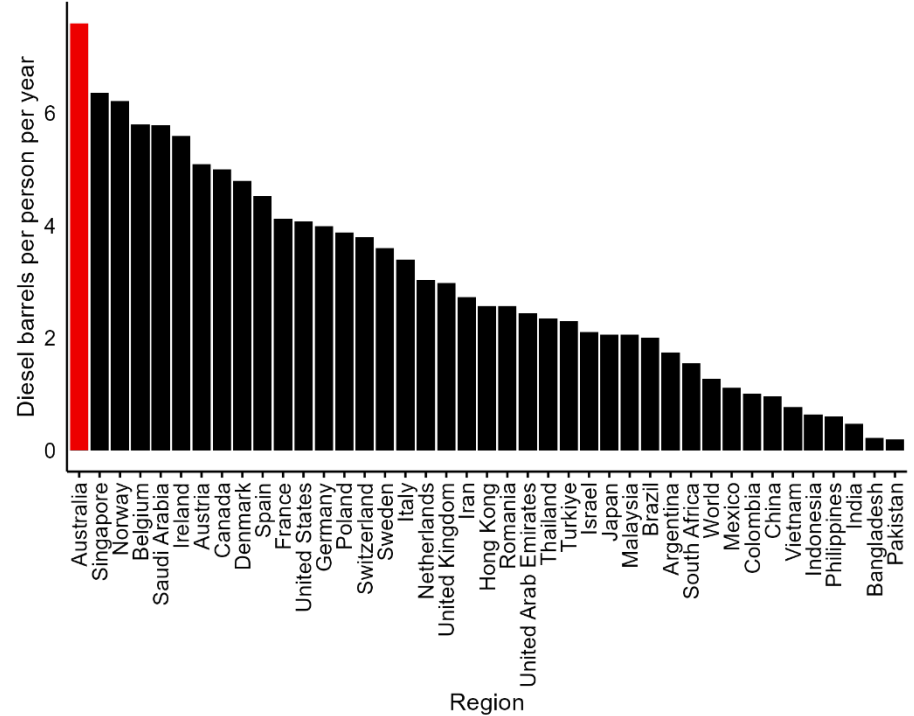
Refined prices have risen even more than crude oil, and Australia is a big user of diesel



Oil Prices and Singapore refined benchmarks



Diesel use per person



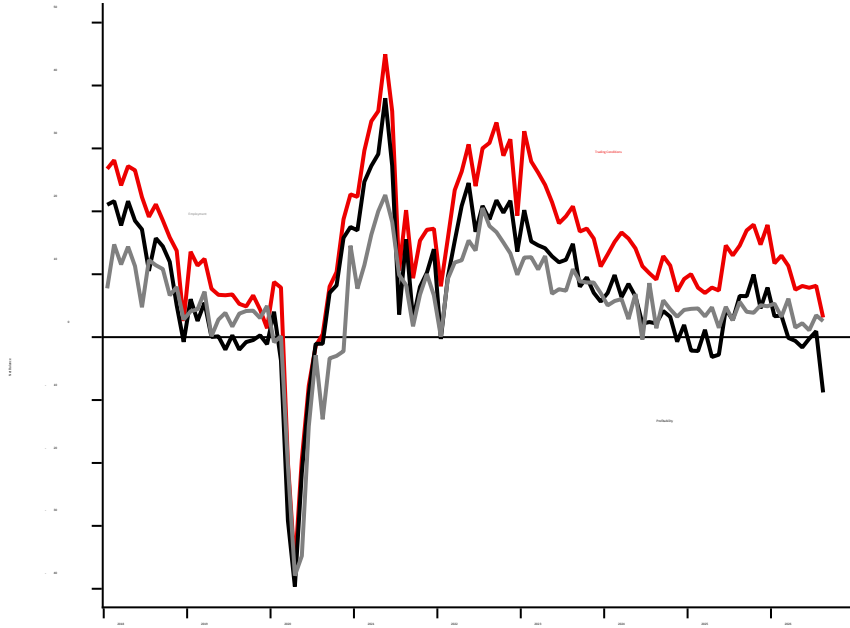
Source: National Australia Bank, IEA, World Bank

Business conditions have weakened

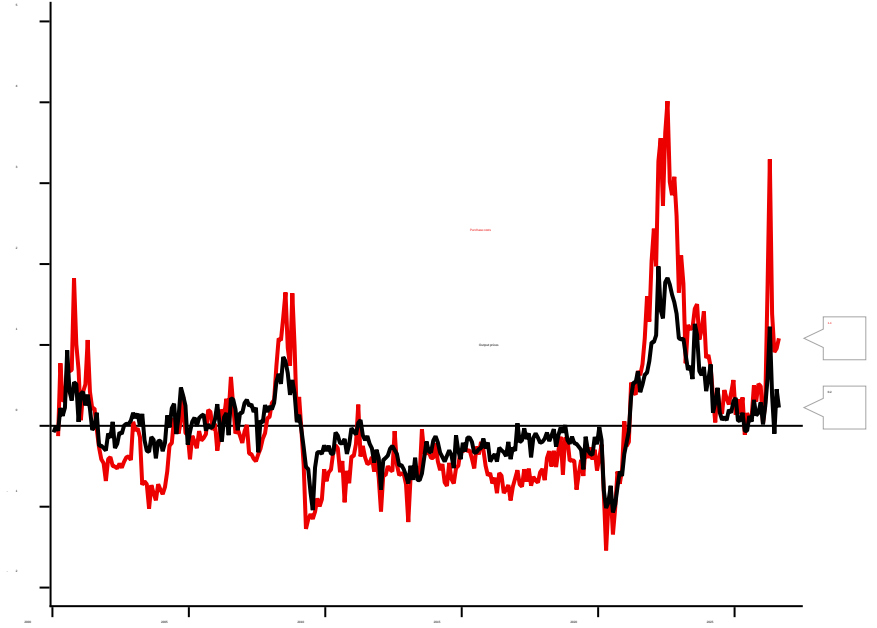
Profitability and trading conditions have led the decline



Business Conditions



NAB Survey Prices (deviation from average)

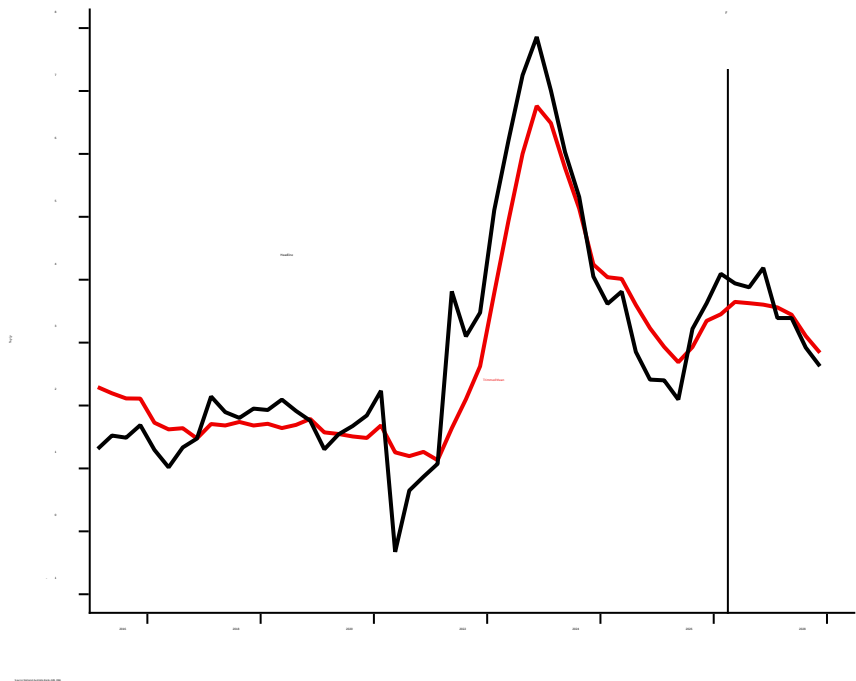


Inflation is broad based

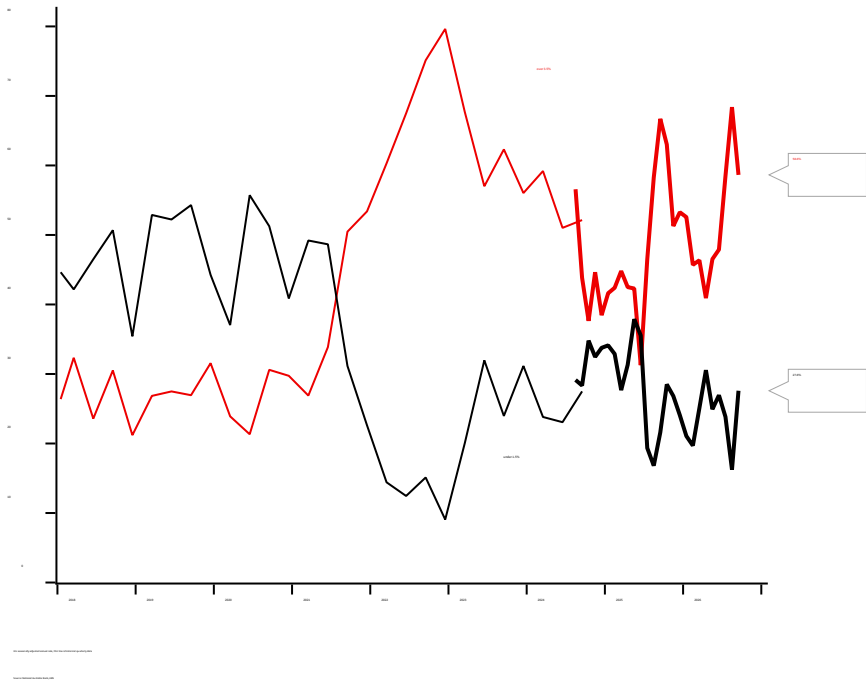
Fuel adds to headline, and cost dynamics have driven a reacceleration



Inflation and NAB Forecast



Share of CPI more than 1ppt away from target*

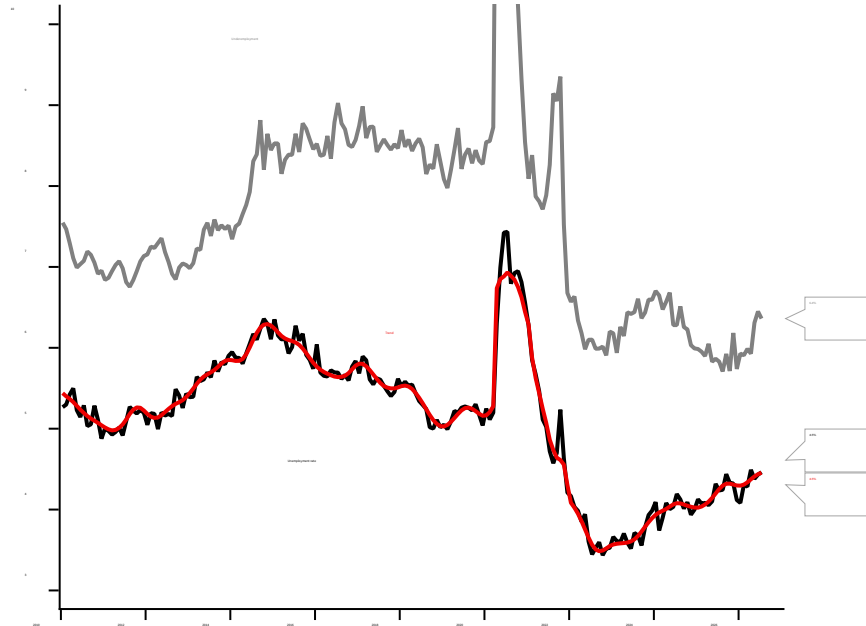


Labour market has been cooling only gradually

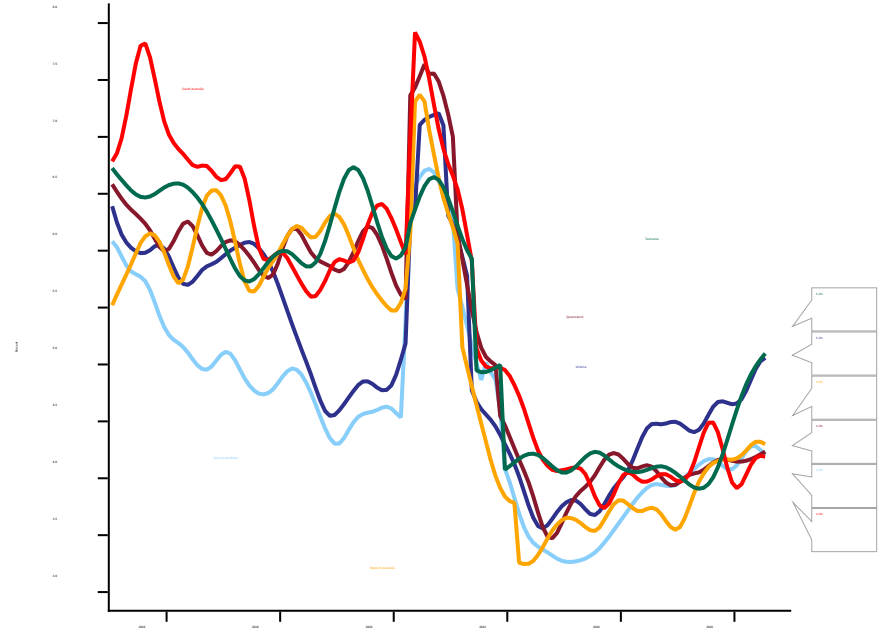
VIC unemployment closer to pre-pandemic conditions



Australia Underutilisation



Unemployment Rates by State

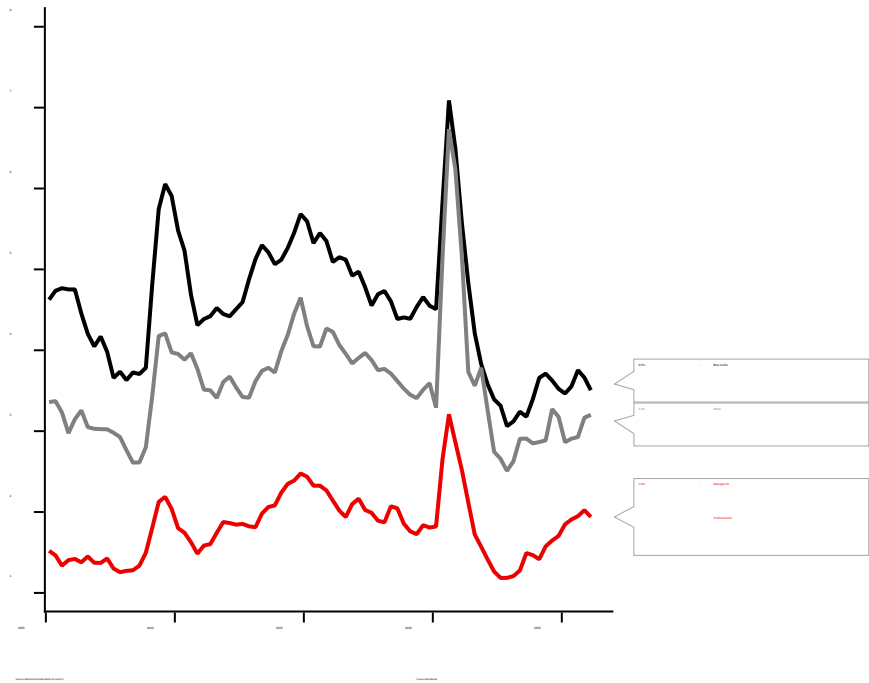


Labour market tighter for blue collar workers

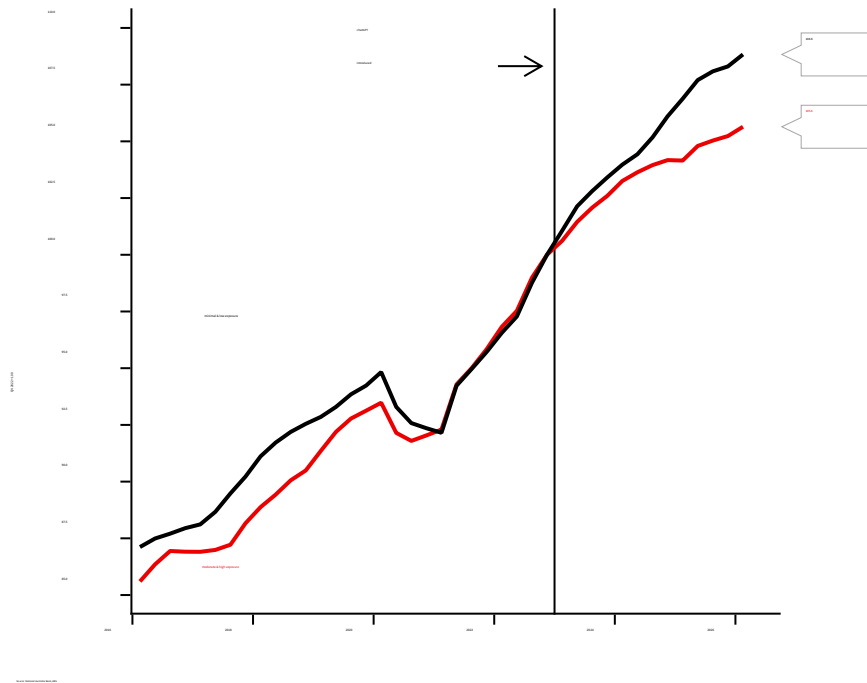
AI-exposed occupations underperform, but too early to blame AI disruption



Unemployment ratio by occupation



Employment by GenAI exposure

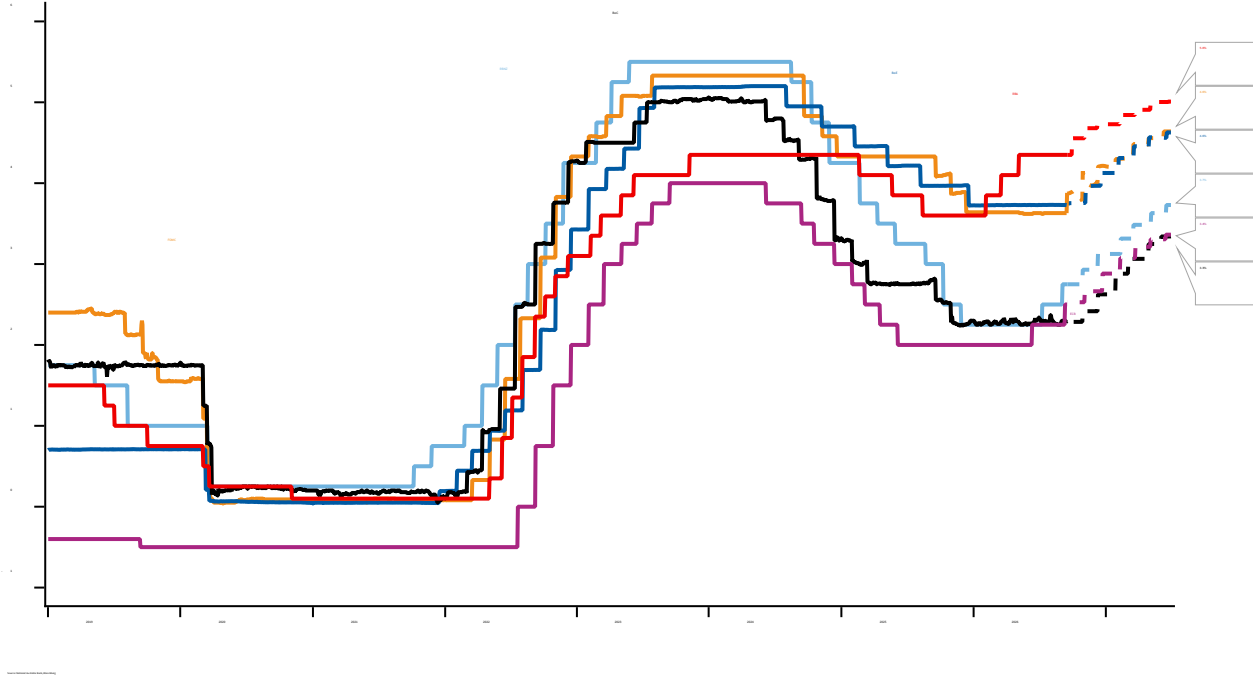


RBA approach has left them out of sync

Efforts to minimise cycle means little buffer and higher for longer



Policy rate pricing

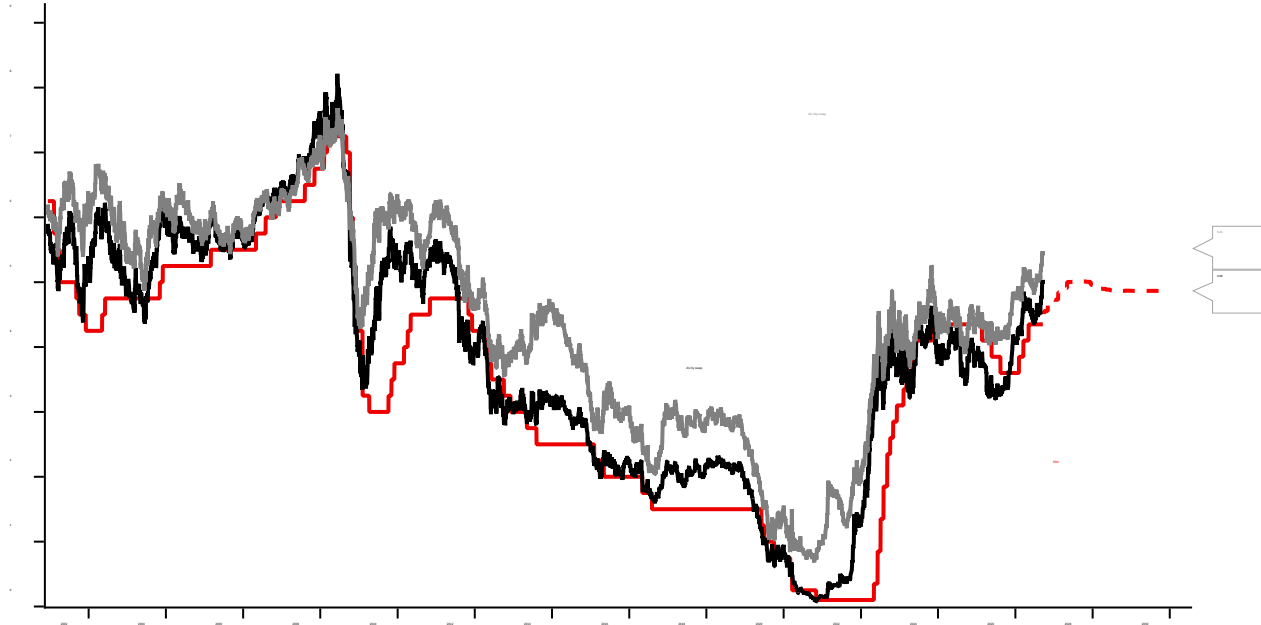


RBA is not expected to match current market pricing



We expect an increase in September, with November a risk

RBA Policy Rate and Swap Rates

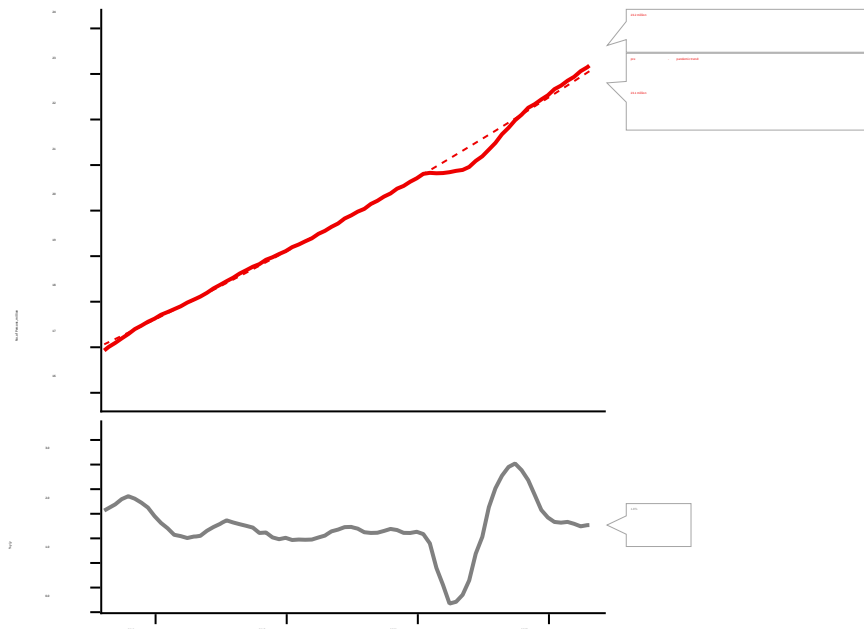


The pandemic rearranged population

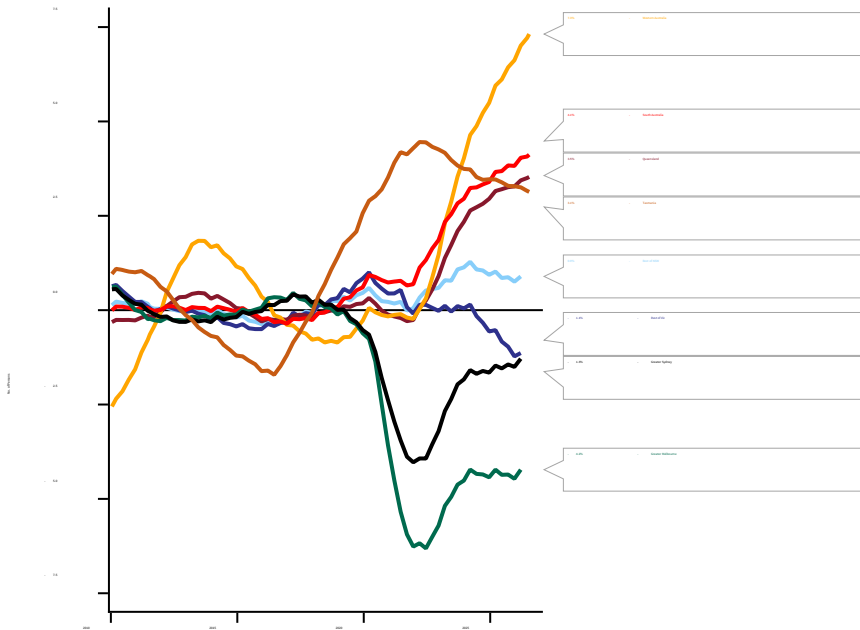
Melbourne is much smaller, WA, QLD, SA much bigger



Civilian 15+ Population



Population (15+) deviation from 2010-2019 trend

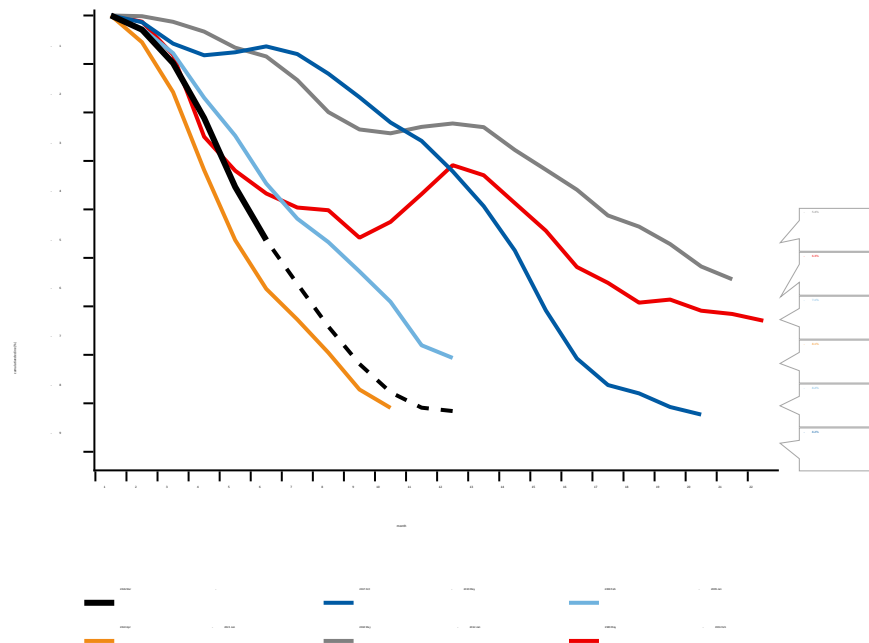


House prices and consumption

House prices are falling quite sharply

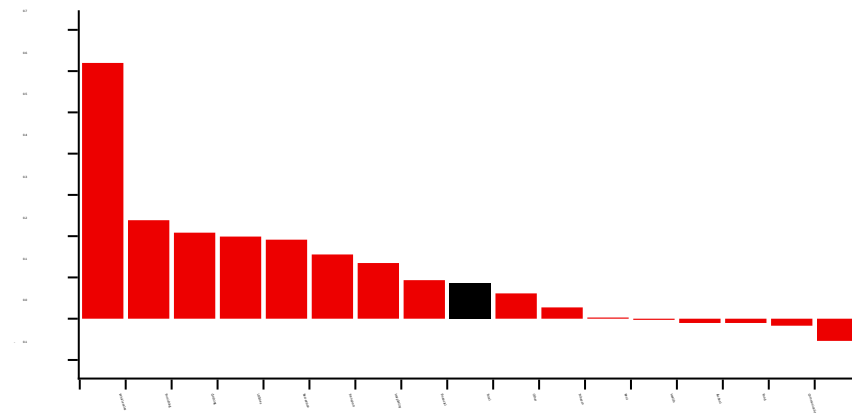


Capital city dwelling price downturns



RBA estimates of wealth effect by category

Short-run consumption response to 1% rise in housing wealth

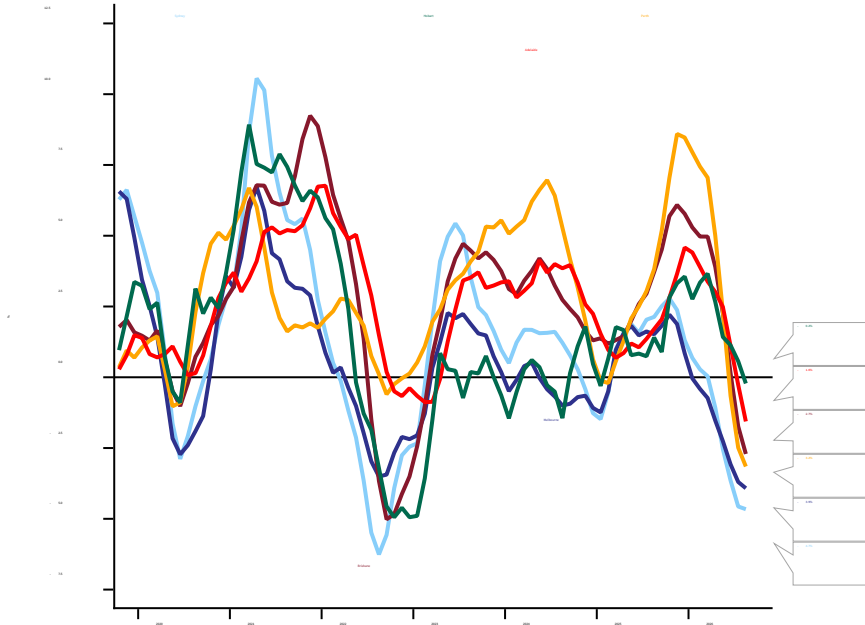


Dwelling prices

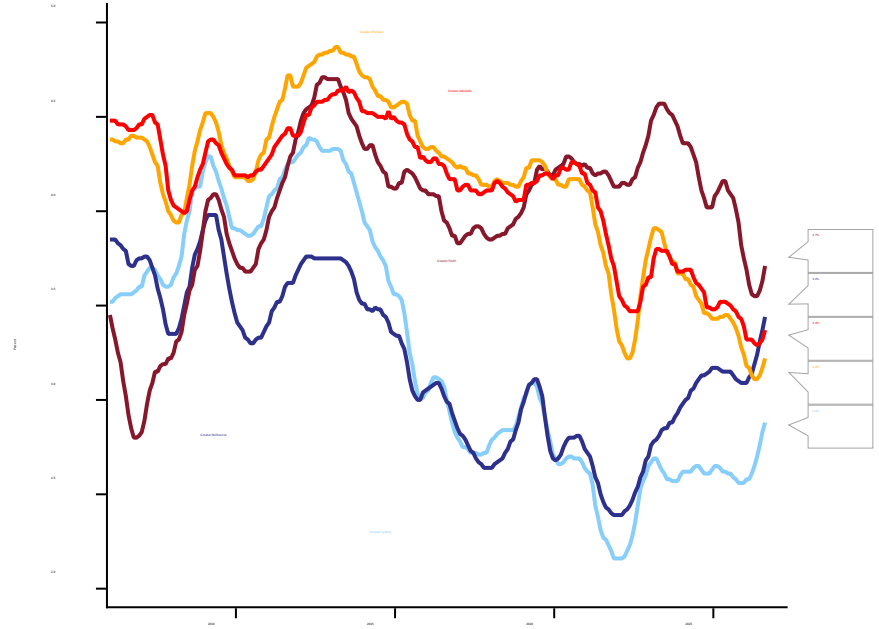
Vacancies are low and rents growth is high amid housing undersupply



Dwelling price growth, 3m change



Median house rental yield



Thank you



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