

Weekly Economic Update



16 October 2026

Another week of bad news on the economy

Unfortunately, it was another bleak few days for the economy this week, with unemployment rising to a 5-year high, growth forecasts downgraded, stark warnings from the IMF washing up on our shores, business confidence sliding and house prices ... well, you know what's happening to the value of your home.

The International Monetary Fund (IMF) is the latest respected entity to shine a harsh light on Australia's economic malaise. The IMF's Washington-based economists trimmed expected growth in Australia for 2027 to just 1.6% (from 1.7%). They also forecast higher unemployment *alongside* the persistence of above-target inflation. It's not stagflation, but not a great combo.

Although not specifically calling out the Australian government's spending addiction, the IMF warned against profligate public expenditure in countries where inflation is elevated. Hmmm, sound familiar? "Spending rationalisation" should be an element of a "credible fiscal adjustment plan". We don't have one of those, with even modest savings measures from the May budget still unloved in the Parliament.

Despite the official warnings, the Commonwealth's spending spigot opened even wider this week with news that taxpayers will be further subsidising the private sector wages of workers in the care sector. There is no productivity offset, so businesses either will take a hit to profit or pass on the additional costs via higher prices. I know what I'd do.

This week saw the release of the minutes of the Reserve Bank's board meeting from two weeks ago,

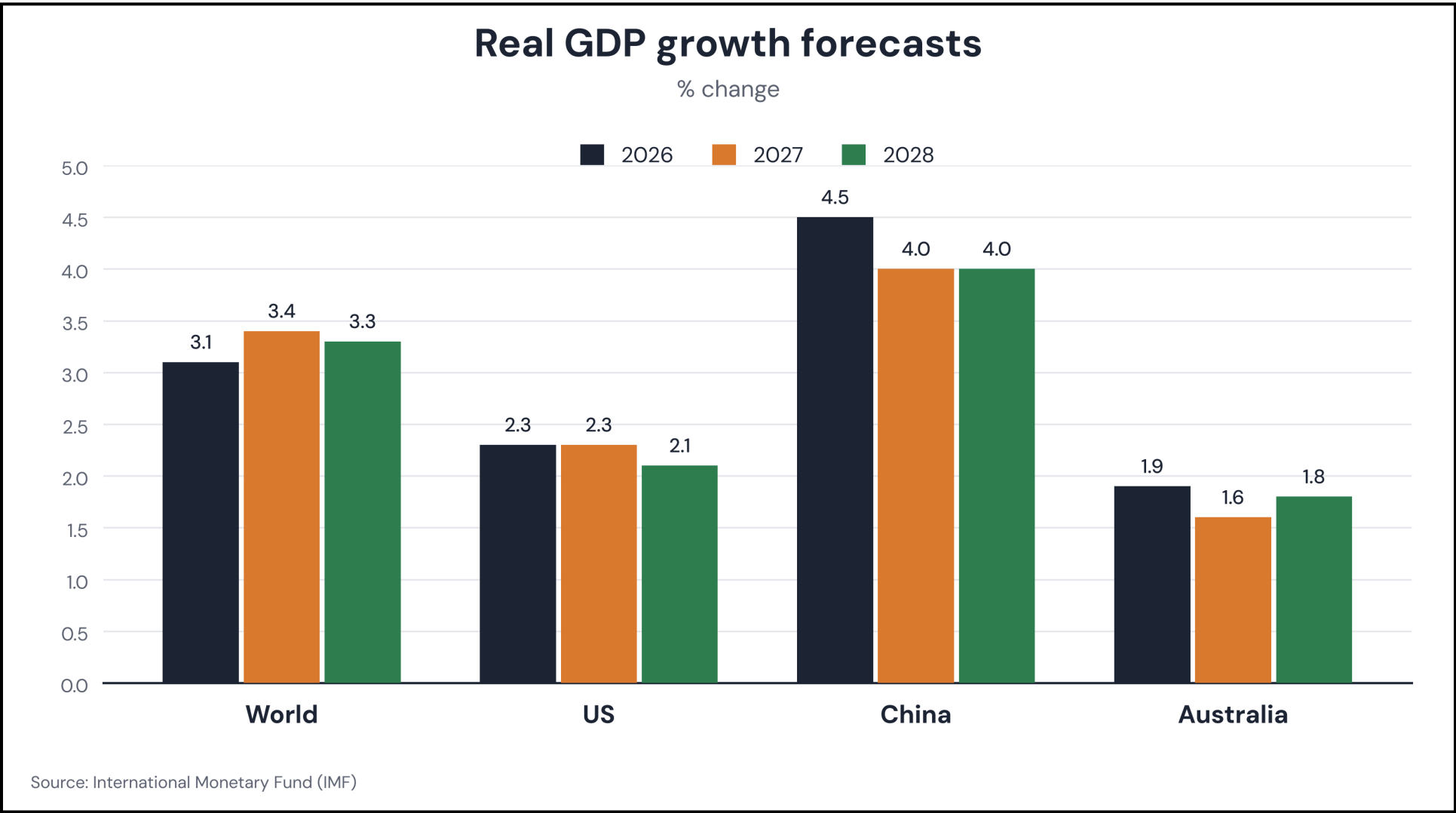
when members voted unanimously to lift the cash rate to a 15-year high. The summary record read as hawkish, with the text saying interest rates will rise again "if required". Further hikes will be "required", although markets prescribe only a 30% chance of the RBA wrecking Melbourne Cup Day.

Meanwhile, business confidence slipped to the lowest level since May in the latest report by NAB. The headline measure sank 4 points to -13; the long run average is +5, so this result is bleak. The survey was in the field in the last week of September so partly captured the impact of the RBA's rate hike. Higher energy costs and persistent global uncertainty remain drags on business mood.

There was no good news in yesterday's monthly jobs data, either. The 29,000 gain in August was cancelled out in September. The jobless rate rose to 4.7%, the highest rate since the nation was awakening from the COVID nightmare in late 2021. We're on the way to the 5% jobless rate the RBA Governor hinted is needed to take the sting out of inflation.

On housing, auction clearance rates across the country remained below 50% last weekend ... and there was no major sporting event as an excuse. Such a low success rate points to further declines in house prices. This correction is likely to end up the worst in reported history (since the 1980s), with respected economists forecasting double-digit declines.

Finally, inflation came in hot in the US this week, which firmed market expectations that the Federal Reserve will tap the monetary brakes a second time.



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