

Weekly Economic Update



23 October 2026

Australia's economic and policy omnishambles

There was little economic data released in a week dominated by official commentary and speeches shining lights on Australia's worsening malaise. The symptoms are becoming ever-more obvious – a persistently underperforming economy that frames uncoordinated policy, gridlock in the Parliament, increased uncertainty, fraying social cohesion and now, sadly, a dramatic escalation of political violence.

Inevitably, consumers are first to feel the pain. Confidence among Australian households has fallen more than for their counterparts everywhere except Belgium and Chile over the past year. The 1.1% dip in the Australian index over the last year means the headline index is in line with the OECD average, but our measure has slipped into pessimistic territory, matching other domestic surveys.

The pessimism among Australian consumers on the OECD measure reflects high news recall on inflation, taxation, the budget and politics. There has been only bad news on each this year and there's little prospect of improvement. Indeed, the federal budget continues to bleed out despite a record tax burden, inflation is yet to peak and an independent MP has just been deliberately run over. Allegedly.

These are symptoms of Australia's distressing slide into mediocrity. Our potential economic growth is falling thanks to our lousy productivity. We boast both elevated inflation and rising unemployment, a rare and unfashionable combo. The budget is in perma-deficit as debt soars. Housing is unaffordable despite recent price falls. Energy prices continue to rise. Business

confidence tanked last week alongside national employment.

Reflecting on all this, OECD Secretary-General the Hon. Mathias Cormann AC this week delivered a tour-de-force speech to a Centre for Independent Studies (CIS) conference on the Gold Coast (this economist was a participant). Cormann called for genuine reform across education, tax, energy, workplace relations and more. I urge everyone interested in productivity and reform to read the speech ([OP223-Cormann-Kennard-address.pdf](#)).

Meanwhile, interest rates are poised to rise again because inflation remains elevated. Reserve Bank Deputy Governor Andrew Hauser told a conference in Sydney this week that inflation has been "materially worse" than official forecasts. Cost pressures continue to build even as growth in the economy slows, he said. Hauser's comments softened up expectations for another rate hike on Melbourne Cup day the week after next.

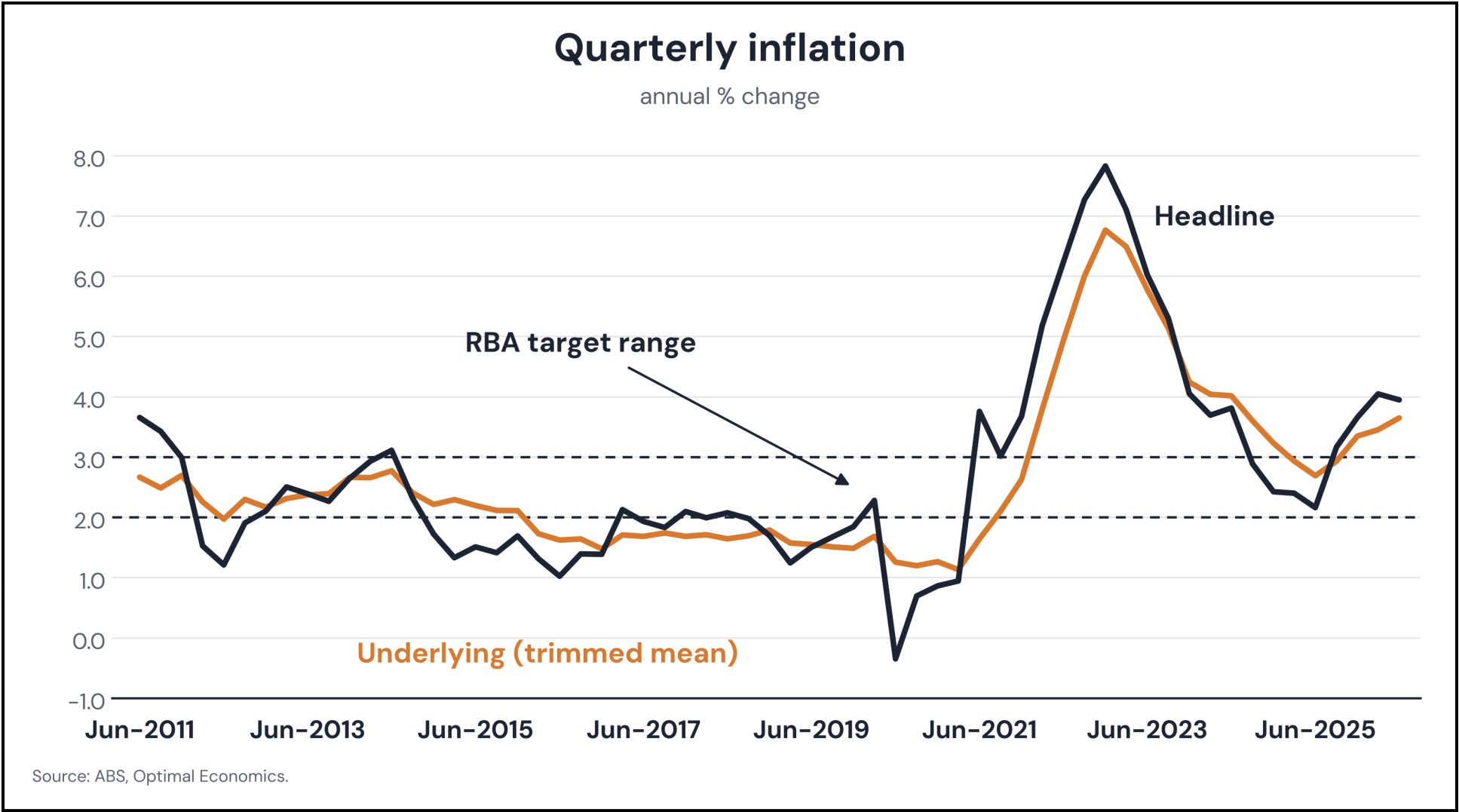
The futures market heard the message, but still views the chance of a hike on Cup Day as little more than a coin-toss. This underprices the genuine probability. With fiscal policy essentially a gushing money hose as elections near and with productivity languishing, the job of curbing inflation has fallen solely to the central bank. Interest rates would have to rise by less if the Bank had fellow travellers on this gallant quest.

Much will depend on the release next Wednesday of the September quarter inflation results. Economists expect both headline and core inflation to print close to 1% over the quarter. That is, inflation tracking along at an annualised rate of 4%, well above the RBA's 2–3%

target range. This will be intolerable for RBA board members who voted unanimously to hike back in September.

The Reserve Bank will release updated forecasts 30 minutes before the ponies leave the barriers at Flemington on November 3. The revised projections

will include expectations of higher unemployment and inflation (!!) and lower expected growth in the economy. Yes, the RBA will be hiking into weakening economic growth, rising unemployment and the steepest house price falls in a generation. It's an omnishambles.



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