

Australia in 2026: Risks & Opportunities

- A gap persists between (gloomy) forecasting rhetoric and (more-of-the-same) forecast figures.
- The gap between rhetoric and the numbers for 2026 reflects the wide-ranging *uncertainties*.
- Beyond the standard economics, uncertainty rises from a mix of geopolitical and societal factors.
- The global monetary easing cycle is likely to reach its end in 2026. Fiscal policy is constrained.
- The Australian economy seems set for a business-as-usual outcome. But BAU is not good enough.
- The RBA will probably cut rates in H1 2026. But they are signalling that the next move could be “up”.

Uncertainty will remain a key driver in 2026. Downside risks to economic growth and upside risks to financial market volatility are the inevitable outcomes from this uncertainty. That said, no forecasting agency is projecting a recession for the global economy. Or Australia.

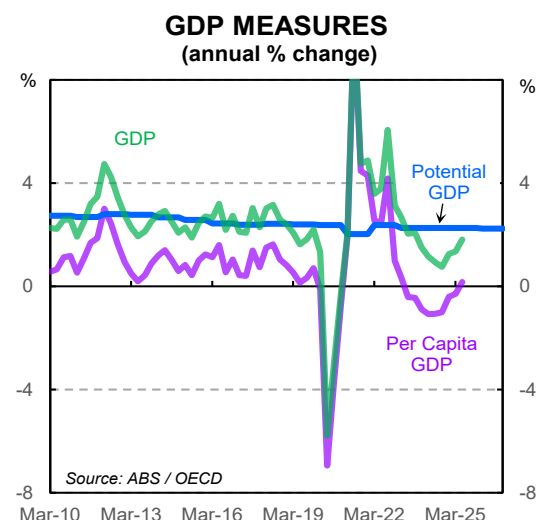
In contrast, inflation risks have lifted in some countries, including Australia. This Australian economy seems set to deliver a business-as-usual (BAU) outcome against this uncertainty in 2026. BAU may seem a reasonable outcome. But it's not really good enough. BAU is below what was “normal” in the pre-COVID period. It's below potential GDP growth. It means another dismal productivity performance. And it's barely enough to lift per capita GDP.

Rear view

Economists will be happy that their forecasts for 2025 were close to the mark (for once!). Most economies and regions expanded. The feared global recession failed to eventuate. Labour markets held firm. Inflation rates slowed and central banks cut interest rates.

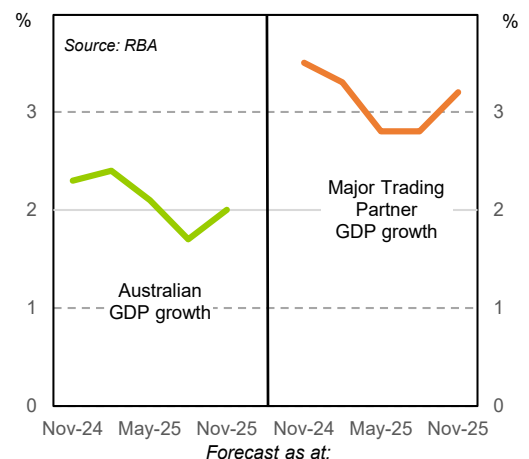
But before the celebrations get out of hand, 2025 will not go down in the history books as one of the better years for the global (and Australian) economies. Global growth may have run around average. But it didn't feel like it. Uncertainty dominated and dampened business and consumer confidence for much of the year.

Australian GDP growth for 2025 will probably print around 2%pa (Chart 1). Like the global economy, that is not a recession. Unlike the global economy, Australia expanded at a below-average pace. And a pace that sits below our economic potential. Population growth running at 1.6%pa or more means *per capita* GDP barely moved (Chart 1).



RBA FORECAST EVOLUTION: 2025

(% change)



Growth outcomes in 2025 reflected a mix of surprising and disappointing components:

- Australian consumers surprised by opening their wallets a little. Residential construction picked up. And growth in our major trading partners helped support exports (Chart 2).
- On the disappointing side, Australian businesses failed to invest. Government spending proved less robust than expected. And a chunk of domestic spending filtered into imports.

Despite a sub-par performance overall, employment continued to grow and unemployment remained at the lower end of the recent range (Chart 3).

The resilience of labour markets in Australia (and elsewhere) is a standout feature of the current economic mix. The Australian unemployment rate remains significantly below its pre-Covid average (Chart 4). Many other countries can claim the same.

The major disappointment lay on the inflation side of the Australian economic equation. The ongoing slowing in inflation rates stalled in the second half of the year (Chart 3). RBA Governor Bullock responded late in 2025 by noting “it’s possible that there’s no more rate cuts”.

The global backdrop

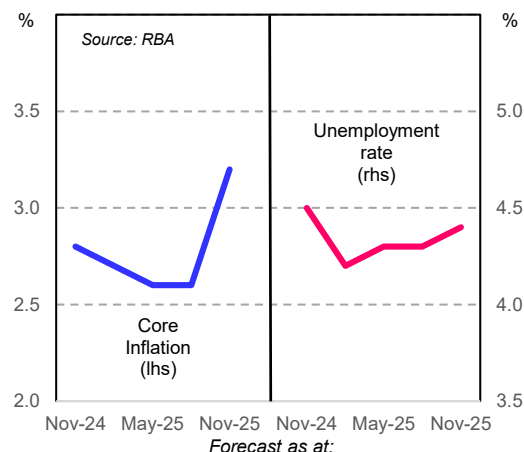
The starting point for the global economy in 2026 involves GDP growth around the post-Covid average, inflation rates that are close to average and unemployment rates that are decidedly below average (Chart 5).

What’s not to like? Plenty according to the major forecasting agencies.

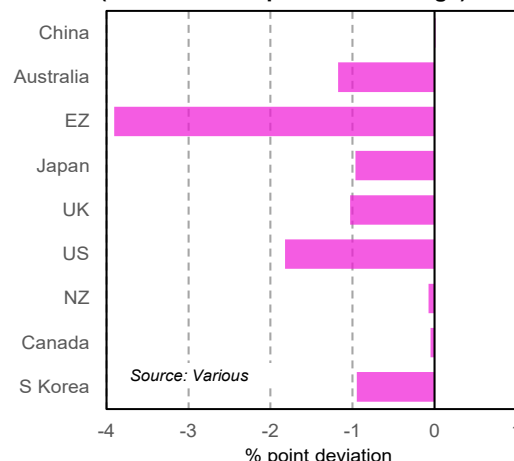
The shaky foundations below the surface involve:

- GDP growth that was front-end loaded into the first half of 2025 as business and consumers responded to the emerging threats from tariffs and trade protectionism. This loading started to unwind in the second half of the year.
- The period of disinflation (or slowing inflation rates) ended in 2025. The global inflation rate is now creeping higher (Chart 5).
- Low unemployment (Chart 5) and general labour market resilience is now adding to *upside* concerns about the inflation trajectory.
- Central banks are now cautioning against expecting further rate cuts.
- Lax fiscal settings are refreshing concerns about the sustainability of public finances.

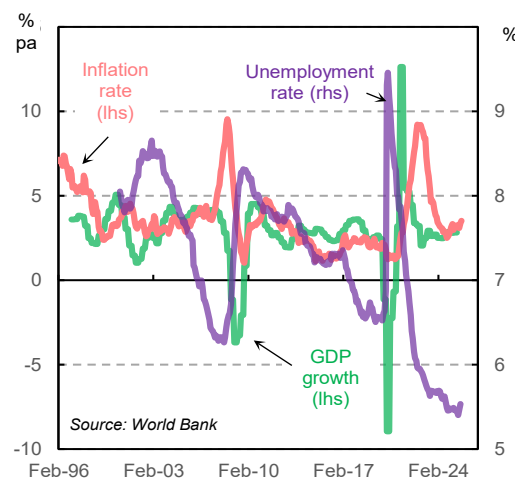
RBA FORECAST EVOLUTION: 2025
(% change)



UNEMPLOYMENT RATES
(deviation from pre-Covid average)



KEY GLOBAL INDICATORS



These concerns are reflected in commentary on the economic outlook:

- The IMF says the global economy is “in flux” and prospects “remain dim”.
- The OECD notes “downside risks loom large”.
- The RBA, in more formal central bank language, believes “risks to global growth remain skewed to the downside”.

Having read these *comments*, you might be a bit nonplussed about the hard *numbers* these agencies have pencilled in for 2026 (Table 1).

The numbers show global GDP growth in 2026 running at much the same pace as in 2025. The advanced economies track sideways and the emerging economies, mainly thanks to slower Chinese growth, step down a notch. Overall, Australia's major trading partners are set to turn in an average performance.

Unemployment holds around current rates against this backdrop. But inflation rates are expected to slow further. And financial markets are pricing in further rate cuts by the major central banks (Chart 6).

So why is there a gap between forecasting rhetoric and the numbers? In a nutshell it comes down to *uncertainty*.

Measures of global uncertainty are elevated (Chart 7). This overarching uncertainty is strongly correlated with uncertainty about US trade policy. With additional inputs from fiscal policy uncertainty, climate policy uncertainty, regulatory policy uncertainty and health policy uncertainty.

Drawing a line through to 2026 we can say that uncertainty is associated with *downside* risks to economic activity. And *upside* risks to financial market volatility.

The more interesting part of the story relates to the sources of this uncertainty and how the associated risks may play out.

Economists are in the unusual position of being in the back seat at the moment. Most of the sources of uncertainty are *non-economic* in nature.

The World Economic Forum (WEF), for example, are tasked each year with identifying the key risks facing the global economy. The list is comprehensive. But this year's list included only one *economic risk* in the Top 10. And that was the catchall of “economic downturn” (Table 2).

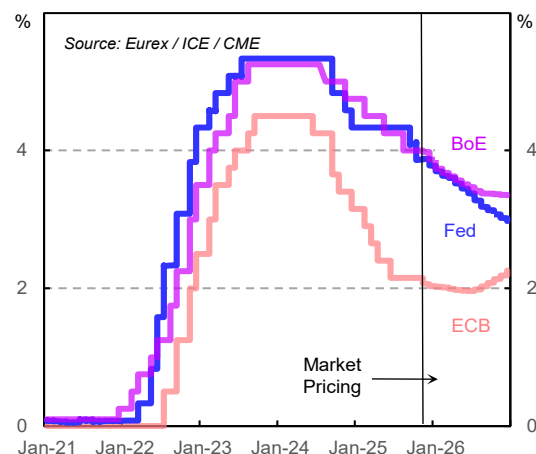
A downturn may be the key economic risk. But, again, no major forecaster is expecting a global recession.

Table 1: Key Global Forecasts

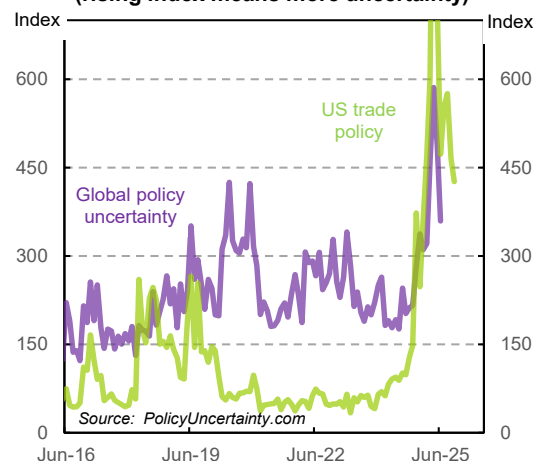
	2024 (a)	2025 (f)	2026 (f)
GDP			
World	3.3	3.2	3.1
United States	2.8	2.0	2.1
Adv economies	1.8	1.6	1.6
EMDE	4.3	4.2	4.0
China	5.0	4.8	4.2
Australia: Major Trading Partners	3.7	3.2	3.3
Inflation			
Adv Economy CPI	2.6	2.5	2.2
Labour Market			
Adv Economy unemployment	4.6	4.7	4.7

Source: IMF / RBA

KEY CENTRAL BANK PRICING
(derived from futures markets)



UNCERTAINTY INDICATORS
(rising index means more uncertainty)



The major risks beyond the economic come down to a mix of *geopolitical* and *societal*.

To maintain some relevance, economists have delved into the history books and come up with the concept of Geoeconomics. This concept first appeared in the early 20th Century but had largely disappeared until recently. Geoeconomics focuses on the interplay between economic and geopolitical/societal drivers.

The most persistent geoeconomic drivers at present are tariffs and trade protectionism.

Economists and others have, from Day 1, laid out a checklist of what to expect from the Trump tariff regime. That regime has twisted and turned. But we are now at the point where we have enough hard data to confirm those early expectations:

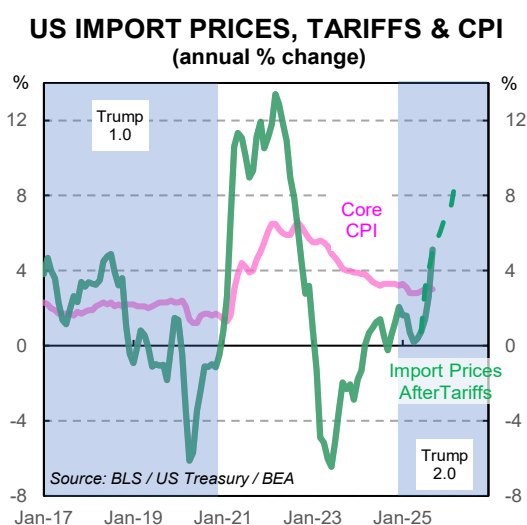
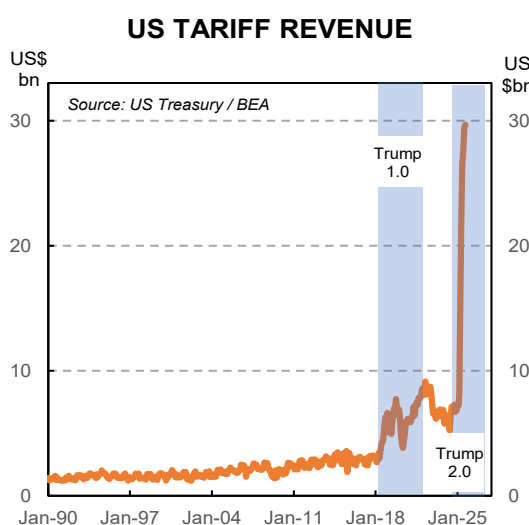
- Tariffs do raise revenue. Lots of it. As of Q3 2025, US customs revenue was running at an annualised pace of US\$360bn (Chart 8). Customs revenue ran at around \$80bn over the previous five years.
- Tariff revenue is not the magic cure-all for US public finances. That US\$360 *billion* of tariff revenue compares with US government spending of US\$7 *trillion* and a national debt of US\$38 *trillion*.
- Tariffs are lifting US import prices “on the docks”. And there are early signs that this lift is flowing through to consumer prices “on the shelves” (Chart 9). The lift in tariffs during the first Trump Presidency had the same effect.

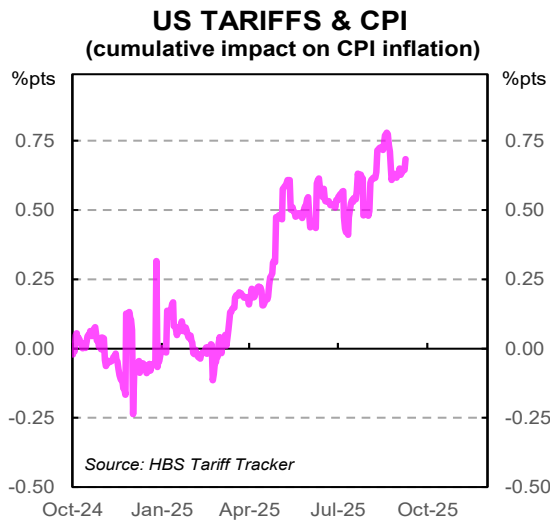
Estimates from the HBS Pricing Lab put the cumulative CPI impact of the current tariff regime at 0.7ppts as of September 2025 (Chart 10).

**Table 2: Top 10 Risks
(in the year ahead)**

Risk	% of respondents	Risk Category
State based armed conflict	23	Geopolitical
Extreme weather events	14	Environmental
Geoeconomic confrontation	8	Geopolitical
Misinformation & Disinformation	7	Technological
Societal polarisation	6	Societal
Economic downturn	5	Economic
Critical change to earth systems	4	Environmental
Lack of opportunity or unemployment	3	Societal
Erosion of human rights and/or civil freedoms	2	Societal
Inequality	2	Societal

Source: World Economic Forum





- Tariffs distort trade flows. Chinese exports to the US have fallen sharply this year (as in Trump 1.0). But *total* Chinese exports continue to grow at a decent pace (Chart 11). In other words, China has successfully diverted exports from the US to other countries. The diversion is particularly evident in exports through Hong Kong. Other countries/regions taking up the US slack include the EU, Latin America, Africa, Australia, the UK and India.
- US tariffs are deflationary (outside the US). Trade diversion means that Chinese exports are competing with domestic production in other countries. This competition indicates downside risks to GDP growth. China is now also “exporting” deflation to the countries involved. Falling Chinese producer prices should flow through to the import prices paid by the advanced economies, ex the US (Chart 12).

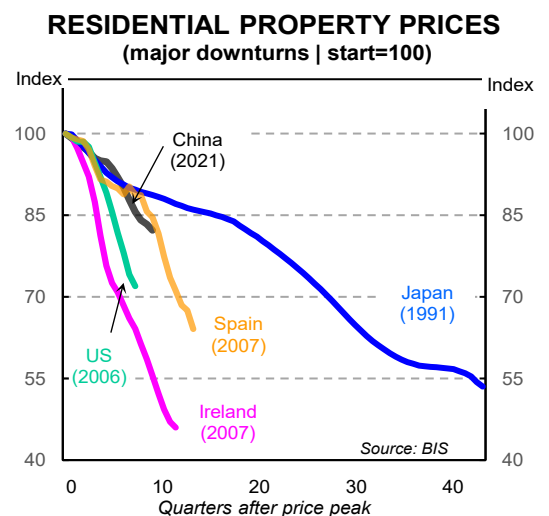
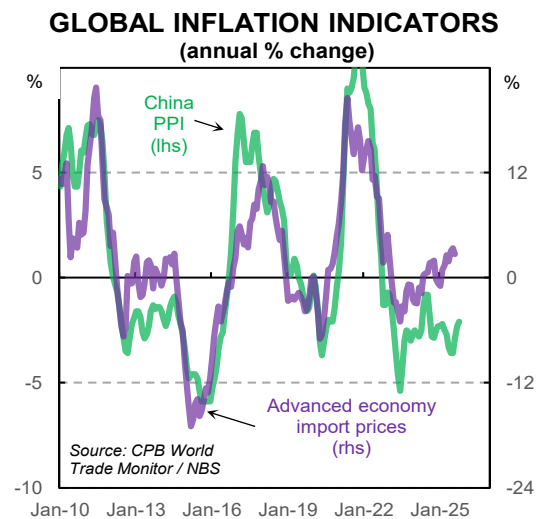
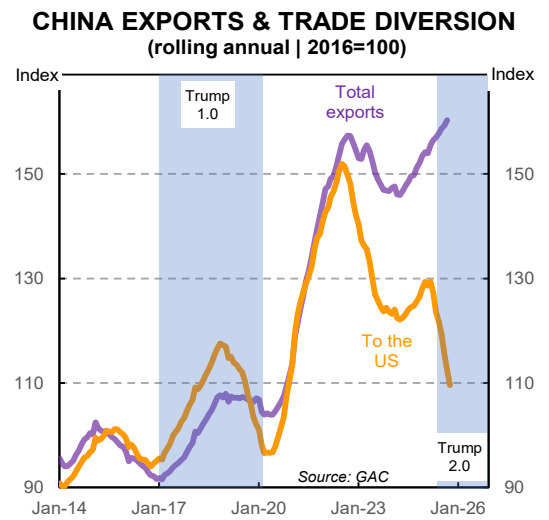
This deflation impulse is a key reason why it is still reasonable to expect central banks to ease policy settings further in 2026 (Chart 6).

The US Fed interest rate trajectory is more problematic given the upside tariff inflation risks. But there are downside risks to US economic activity. And the labour market is cooling. It makes sense to leave further rate cuts in the policy profile for 2026. The last published consensus amongst Fed officials had the Fed funds rate falling to 3.4% in 2026 and 3.1% in 2027.

Table 5 has some illustrative financial forecasts for the next year.

Beyond trade, a number of longer-running risks continue to play out.

The risks from the Chinese real estate sector persist. These risks reflect funding constraints, low confidence



and falling prices - with concerns accentuated by the recent slowing in domestic demand.

That said, the decline in Chinese house prices sits in the middle of the range of comparable downturns (Chart 13). And the authorities do seem more inclined to inject stimulus into the Chinese economy. The financial risk factors that have dragged on China for a while now seem set a little less threatening in 2026.

The risks from stretched public finances also persist. The IMF is warning that global public debt is set to exceed 100 % of GDP by 2029 (Chart 14). Public debt would be at its highest level since 1948. The emerging pressures from defence, natural disasters and aging populations mean fiscal consolidation is near (politically) impossible. The experts suggest maintaining the current fiscal envelope but diverting some spending to more productive areas. The IMF estimates, for example, that a 1% of GDP lift in human capital investment will boost advanced economy GDP by 3% in 2050. The benefit to emerging economies would be double that.

In the meantime, the ability to use fiscal policy to support the economy is limited.

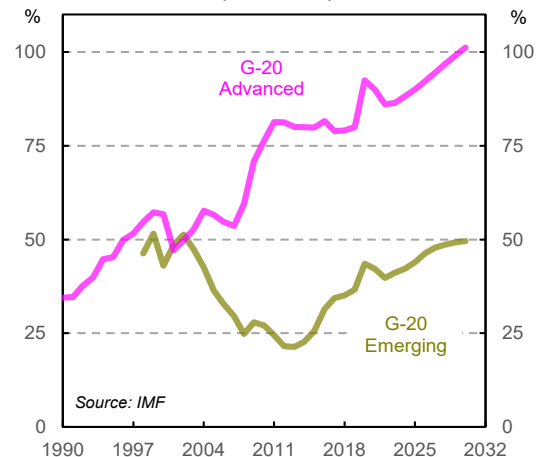
Fiscal constraints are one part of a larger problem – how to finance all of the spending that is necessary over the next couple of decades. The artificial intelligence (AI) boom comes with a very expensive price tag. We will need to be spending upwards of US\$1.3 trillion per year by 2029 according to S&P. Huge increases in other infrastructure spending for health (aging), military (geopolitics) and energy (net zero) will, according to McKinsey's, cost US\$106 trillion to 2040.

The aging population story is a threat to potential GDP growth rates as labour supply decreases. And it means fewer taxpayers as well. The Chinese population is set to decline by 400 million in the next 50 years (Chart 15). Populations have been declining for some time in Germany, Spain, Italy and Eastern Europe. Africa is the exception – the population in Nigeria will overtake US by 2045!

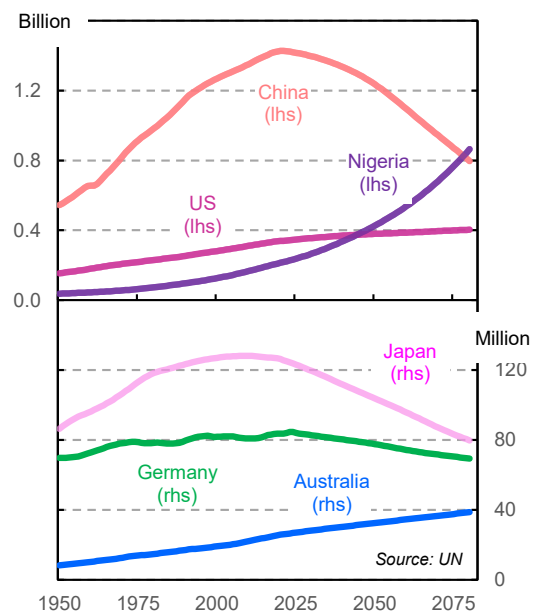
The AI boom does offer one solution. OECD modelling work suggests that adding a strong AI take up to other structural measures (regulation, governance, female employment) would boost GDP growth significantly. The GDP growth boost equates with 0.4ppts per year in the advanced G20 economies by 2050 (Chart 16).

Commercial real estate has also been on the risk dashboard for a while now. The story varies widely across the major cities. But some areas look stretched relative to the fundamentals. Vacancy rates are high and rental growth is low (or even negative) in Beijing Toronto and major US cities such as San Francisco. Some European and Asian markets (inc Sydney) look better placed (Chart 17).

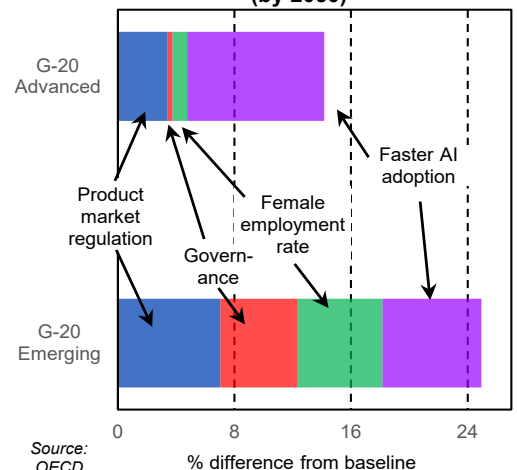
**G-20 GOVERNMENT NET DEBT
(% of GDP)**



POPULATION PROJECTIONS



**REFORM IMPACT ON GDP
(by 2050)**



Financial market pricing looks stretched for some risk assets. A disruptive unwind would threaten markets more broadly. Precious metals, Bitcoin, AI-related investments and the “FANGS” are worth monitoring closely.

Beyond the precious metals, the broader global growth backdrop is a relatively neutral one when it comes to commodity prices (Chart 18).

The Australian economy

Having spruiked the productivity-enhancing benefits of AI, it makes sense to ask that AI to summarise Australia’s economic prospects for 2026.

Here is what ChatGPT delivered: “Australia in 2026 is heading for a gentle economic soft landing - think of it as the economy trying to park a Ute in a tight Bunnings car spot: mostly smooth, a little slow, and only mildly stressful, with global potholes and a chunky fiscal bill rattling the tray”. No mention of a sausage sandwich though!

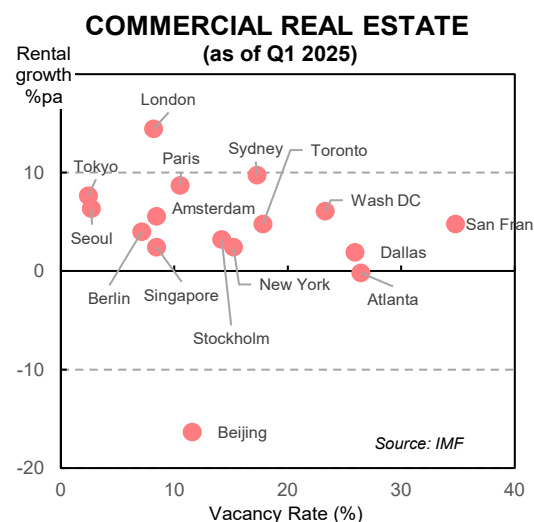
ChatGPT’s summary is not a bad approximation of how the RBA expects the economic story to play out in 2026.

The RBA’s forecasts are always the central focus in the debate about the economic outlook:

- The Bank has a large economic team - so the forecasts are always well thought out.
- The forecasts are updated regularly – so they are always current.
- And they are self-fulfilling to an extent - given the RBA can adjust interest rate settings to push the economy in the right direction.

Current forecasts are summarised in Table 3. The main points are:

- GDP growth to track sideways at around 2%pa. This outcome is almost a business-as-usual (BAU) result these days. But BAU is not really good enough. BAU is below what was seen as “normal” in the pre-COVID period (2¾%pa). It’s below most estimates of potential GDP growth (2½%pa). It means a dismal productivity performance. And it’s barely enough to lift per capita GDP.
- Growth is strong enough, however, to keep employment growing and the unemployment rate remaining around current levels.
- A low unemployment rate is not enough to prevent wages growth slowing (although *real* wages remain – just – in positive territory).
- Much of the lift in domestic spending is likely to be satisfied through imports. Together with a neutral backdrop for commodity prices and



WORLD GROWTH & COMMODITIES

(annual % change)

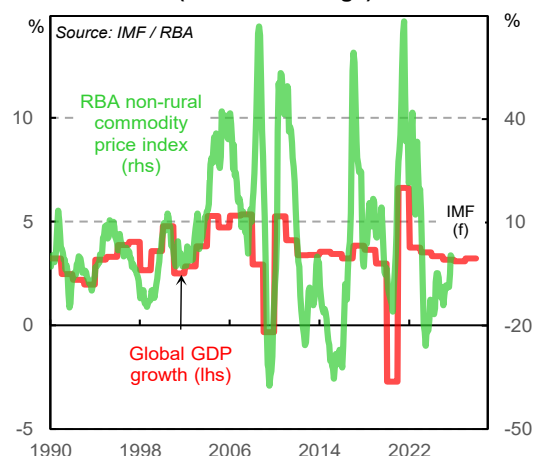


Table 3: Australia: Key Forecasts (%pa)

	End 2024 (a)	End 2025 (f)	End 2026 (f)
GDP	1.3	2.0	1.9
H/hold spending	0.7	2.1	2.3
Dwelling capex	2.5	4.8	3.1
Business capex	0.3	0.1	2.0
Public spending	5.6	2.1	3.2
Employment	2.4	1.3	1.3
Unemployment	4.0	4.4	4.4
CPI	2.4	3.3	3.2
Underlying CPI	3.3	3.2	2.7
Wages	3.2	3.4	3.0
Terms of trade	-4.8	1.5	-1.0

Source: ABS / RBA / PinPoint / Consensus

the terms-of-trade, the current account deficit should widen.

- Key inflation measures are running above earlier expectations. And are expected to remain above those earlier expectations during 2026.

For those who want to delve below the surface, the forecasts are based on a number of “technical” assumptions. So a starting point for risk analysis is to examine their realism.

I. Will our major trading partners grow close to average?

The risks and issues facing the global economic outlook were discussed earlier. The bottom-line conclusion is that our major trading partners will provide a neutral backdrop for Australia in 2026.

II. Will Brent crude prices hold around US\$63 per barrel?

The price assumption looks reasonable. The main risk is downward pressure from the emerging oversupply of crude. Production outside OPEC is rising. Demand is growing slowly, courtesy of a weak Chinese economy and the transition towards EV's and renewables. Lower prices would help improve the outlook for “headline” inflation.

The main oil upside risk comes from geopolitics (Chart 19). And the potential impact on production in Russia, Iran and Venezuela.

III. Will population growth slow to 1.3%pa?

The main driver of the elevated population growth rates in recent years was the surge in migration as the economy re-opened after the Covid shutdowns. Net migration is slowing. But it remains above “normal” levels. And the reduction in leading indicators like visa grants appears to have stalled (Chart 20).

Stronger-than-expected population growth adds to spending and labour supply. It would also boost housing demand.

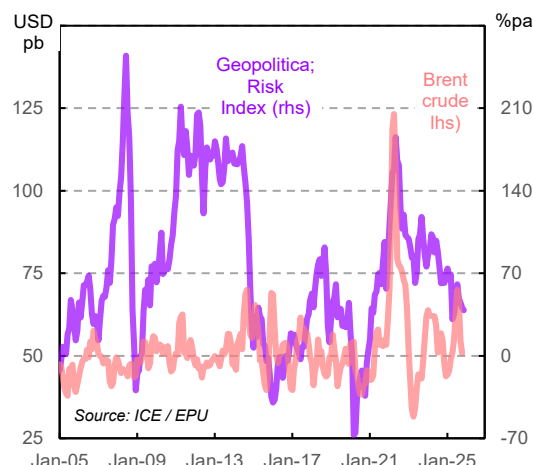
IV. Will the RBA cut the cash rate in 2026?

The interest rate story during 2025 looked clear cut. Inflation was slowing and the RBA would respond by cutting rates. That story held intact until late October when the Q3 CPI provided a nasty reminder that the inflation genie was not back in the bottle.

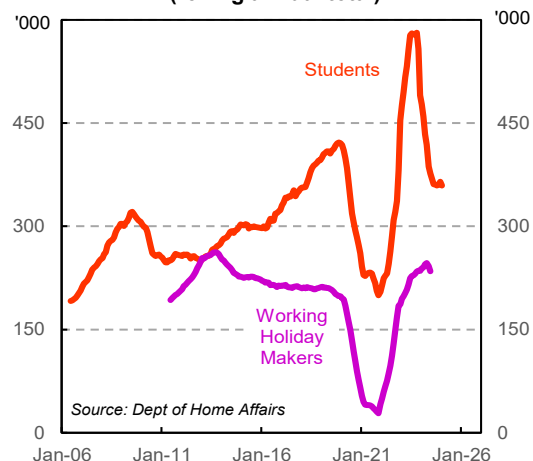
The upside surprise forced the RBA to lift its near-term inflation projections (red line on Chart 21).

Financial markets cut the probability of further rate cuts (Chart 22). Economists fell on their swords and pushed back the timing of any future cut. And, as

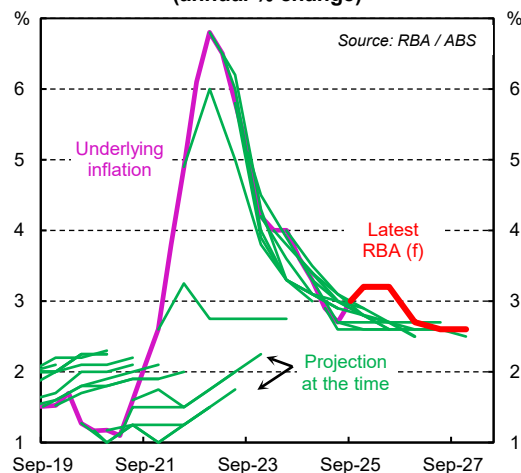
OIL & GEOPOLITICAL RISK



VISAS GRANTED (rolling annual total)



RBA INFLATION FORECASTS (annual % change)



noted earlier, RBA Governor Bullock suggested the next rate move could be “up”.

Nevertheless, RBA projections assume one more rate cut in the first half of 2026. That assumption seems reasonable:

- The global backdrop is providing a deflationary impulse via China trade diversion and falling Chinese manufactured goods prices (Charts 11 & 12).
- A cash rate bottom of 3.6% would mean an unusually small and short easing cycle (Chart 23). And it would leave the cash rate *above* the typical neutral estimate of 3¼%.
- There were some “special factors” behind the Q3 CPI surprise. Being “special” means they are also expected to be “transitory”. They include new dwelling construction prices and some service-related areas such as meals out & takeaway food.

One way to think about the Q3 upside surprise is in terms of price *flexibility* (Chart 24). PinPoint Macro have subdivided the CPI into two, roughly equal, parts. The Flexible CPI reflects those items where prices change frequently and reflect underlying economic conditions. The Sticky CPI contains items where prices don't change very often and typically reflect longer-run inflation expectations.

The Q3 CPI surprise reflected a spike in the Flexible CPI (Chart 24). As such, underlying economic conditions favour an unwinding of that spike.

Uncomfortably high inflation rates (above 3%) will probably persist for much of 2026. And that's important because RBA Governor Bullock has made it very clear that getting inflation just over the line and into the RBA's target band of 2-3% is not enough. The Governor is consistent in her view that the real target is the middle of the band. And, once there, she has to be sure that the inflation rate will remain there.

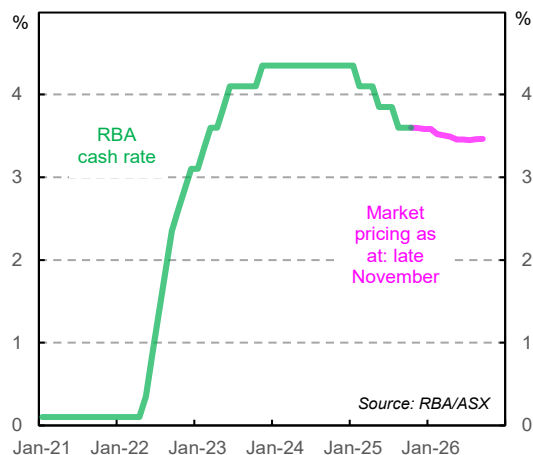
Bottom line: pencil in one final 25bpt rate cut in for the May 2026 RBA Board meeting.

V. Will the exchange rate remain around TWI=61 and USD0.65?

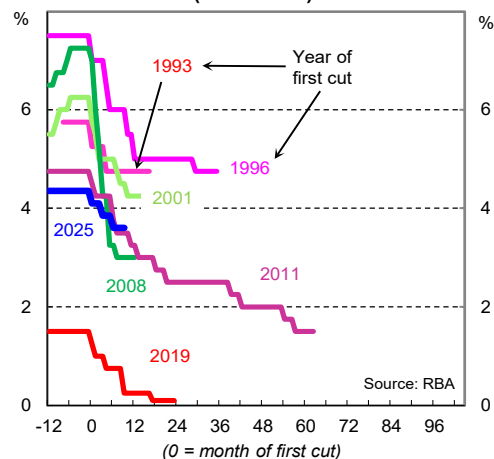
The exchange rate is an important transmission channel from the rest of the world into the Australian economy. A rising exchange rate is typically seen as tightening financial conditions. And vice versa.

For an economist, a currency should reflect its underlying fundamentals. The historical relationship between those fundamentals and the AUD determines “fair value”.

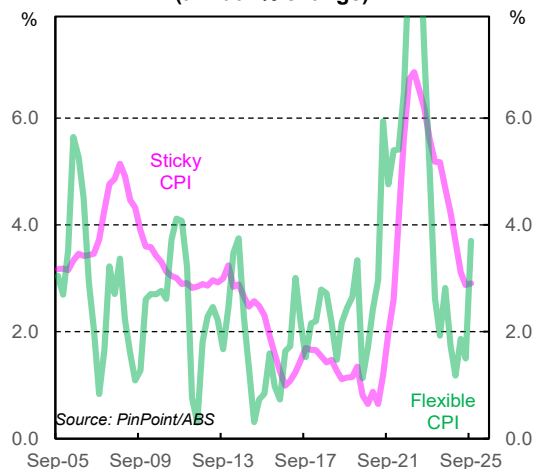
RBA CASH RATE PRICING
(30 Day Interbank Cash Rate Futures)



RATE CUT CYCLES
(since 1990)



CPI BY DEGREE OF FLEXIBILITY
(annual % change)



The key fundamentals are commodity prices, interest rate differentials and the current account balance. The current background favours a neutral impact from commodity prices and the current account. But a positive impact from widening inflation and interest rate differentials. The AUD sits below fair value as a result (Chart 25). The risks lie with a stronger AUD, something the RBA is likely to resist by cutting interest rates.

There is another type of “inflation” that will be on the RBA’s radar screen. And that is house price inflation.

Dwelling prices began rising pretty much at the same time as the RBA rate cut cycle began in early 2025. This turn up is hardly surprising. It’s been the historical experience over the past 30-plus years.

The average dwelling price rise in the year following a rate cut is 6%. Prices since the cut in February are already up 5.8%, or in the upper half of the range of past cycles (Chart 26).

The bulk of mortgage rate cuts may already be working through the system. But other drivers are pushing in the same direction. These include:

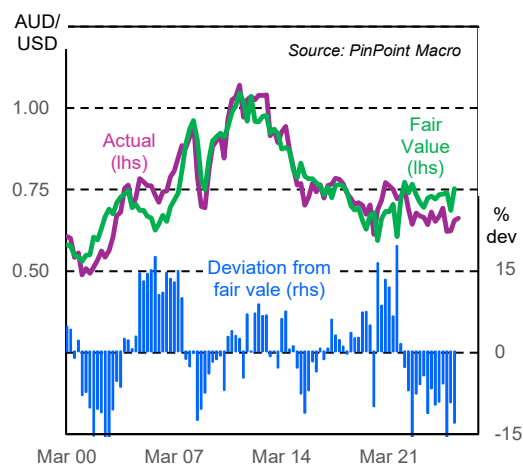
- the strength of housing *demand* given still strong population growth – the Australian population rose by 423,000 over the latest year;
- the weakness in housing *supply* given the slow recovery in new construction;
- the *pent-up demand* overhanging the housing market from the last few years of underbuilding;
- the ever-present *fear of missing out* (or FOMO) – consumer sentiment surveys show nearly three-quarters of respondents expect dwelling prices to rise over the next year;
- government schemes to help first-home buyers (where the benefits quickly get capitalised into prices); and
- the increase in borrowing capacity that any further cut to mortgage rates will allow.

The consensus among the major banks is that dwelling prices will grow at a reasonably solid pace over 2026 (Table 4).

There is also an array of economic forces in play beyond the technical assumptions. To achieve the hoped for economic growth outcomes the recent lift in consumer spending and residential construction needs to continue. Public spending needs to keep doing the heavy lifting. And businesses need to find the courage to lift capex.

Annual growth in nominal household spending has lifted from 3.2% at the start of 2025 to 5.1% by September. At face value, this lift has returned

AUD FAIR VALUE



DWELLING PRICES & RBA RATE CUTS

(rate cut cycle starts in month 0 | start=100)

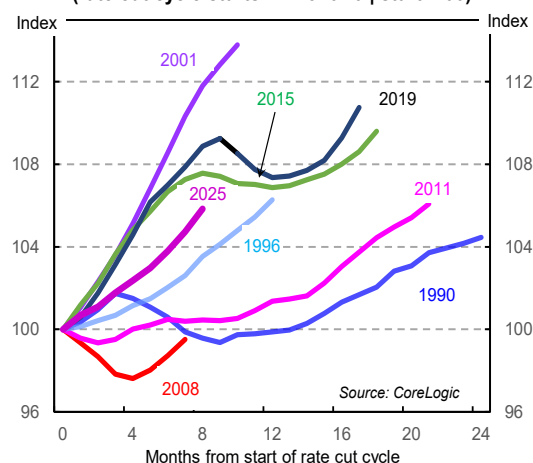


Table 4: Dwelling Price Forecasts
(end year | %pa)

	2024 (a)	2025 (p)	2026 (f)
Sydney	7.1	4	6
Melbourne	1.3	4	7
Brisbane	14.7	7	7
Adelaide	13.7	5	5
Perth	24.8	6	7
Hobart	0.4	3	3
Darwin	1.1	7	6
Canberra	4.3	3	3
Australia	7.9	6	6

Source: Average of CBA / NAB / WBC / ANZ / Cotality

spending growth to its post-Covid average. Below the surface, however, discretionary spending continues to run *below* non-discretionary spending (Chart 27).

Part of the gap probably reflects the similar divergence between non-discretionary inflation rates and discretionary inflation. Faster growth in non-discretionary prices means consumers are “forced” to spend more on non-discretionary items.

The slower growth in discretionary spending is consistent with the idea that economic policy has lost some of its potency.

The Commonwealth Bank, for example, notes that only 10-14% of eligible home loan customers reduced their home loan repayments after the three rate cuts enacted in 2025. (Chart 28).

Yet another bank survey by Westpac notes that the marginal propensity to consume the income boost from the recent Stage 3 tax cuts is very low. Their Consumer Panel shows households are spending only 16-25 cents of each \$1 of tax cuts. Any boost from the two tax cuts to come in 2026 and 2027 may be quite small.

More positively, higher dwelling prices are boosting household wealth. Consumer borrowing has lifted. And consumer sentiment has lifted as the expected rise in unemployment failed to materialise. These trends will encourage the consumer in 2026.

Rising wealth and the population dynamics discussed earlier mean that the lift in residential construction in 2025 will continue into 2026.

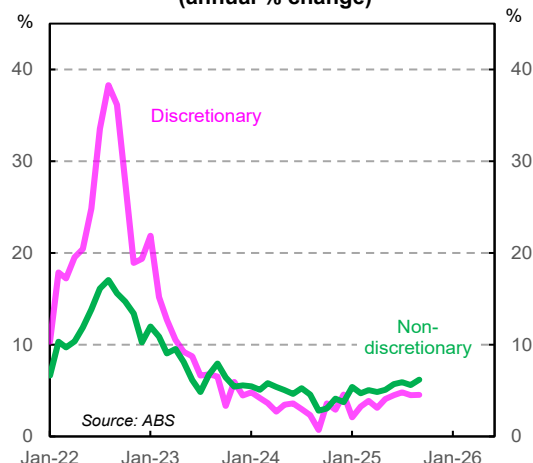
The spending appetite of governments at all levels continues unchecked. Government spending now accounts for 28% of GDP, the highest share since at least 1960. But there is an emerging constraint on public spending. This constraint is particularly acute in the infrastructure side of the equation.

Infrastructure Australia puts the infrastructure pipeline at \$242 bn across the next five years, up 14% over the past year (Chart 30). Attempts to boost housing construction, energy and transport are driving spending higher. One critical delivery risk is shortages of skilled labour. Current estimates have this shortage reaching 300,000 workers by 2027.

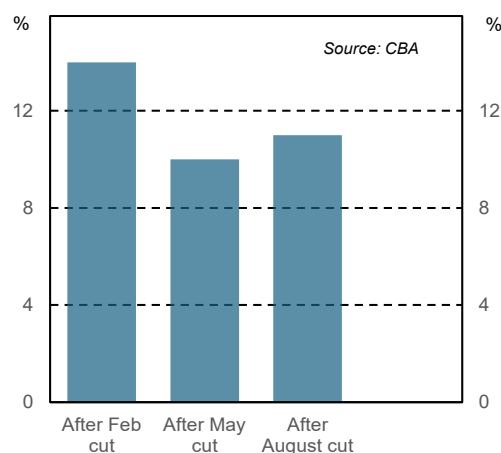
A (very) modest lift in business capex is expected in 2026. Surveys show that business confidence, business conditions and orders have returned to around long-run averages. But this return is not translating into capex plans.

It seems that uncertainty is once again weighing on business. This uncertainty relates to the demand backdrop, policy trajectory, regulatory settings, labour availability, project costs and the implications of the AI boom.

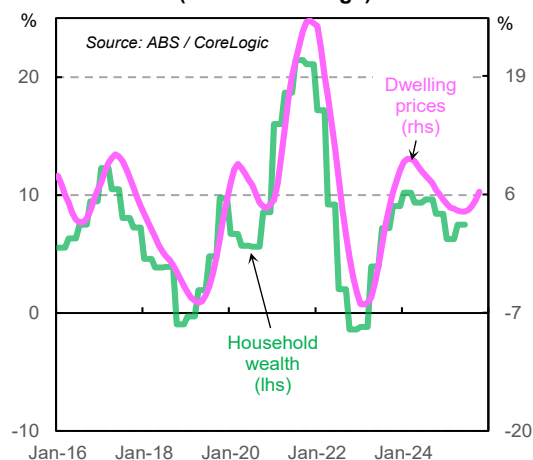
HOUSEHOLD SPENDING INDICATOR (annual % change)



MORTGAGE PAYMENTS (% of CBA customers reducing payments)



WEALTH & HOUSING (annual % change)



Some thoughts on asset & financial markets

The global easing cycle is likely to reach its end point in 2026. Final rate cuts are likely in the first half of the year.

Inflation concerns will probably see the RBA lag other central banks in delivering that final cut.

Changes in the RBA cash rate, of course, flow through to the short end of the yield curve. Rates further out are more reflective of market forces and interest rate expectations. So, a prospective RBA rate cut in the first half of 2026 should see 1-3 year bond yields fall. Since short rates usually fall by more than long rates, the yield curve normally steepens. But the curve is already unusually steep. So any move could be quite limited this time.

Some of the key AUD influences, like the terms-of-trade and current account balance, are set for a muted impact in the year ahead. That leaves the widening interest rate differential in the driver's seat. The implication is a stronger currency.

The neutral backdrop for commodity prices and the terms of trade suggest limited upside for nominal GDP growth and profits. Or a neutral lead for Australian equity markets in 2026.

Beyond financial markets, and as discussed earlier, residential real estate prices are expected to record a solid rise in 2026.

Commercial real estate expectations have had a common theme in recent years. The consensus among industry experts has favoured Industrial outperforming Office and Retail. Industrial is helped by tight vacancies and strong rental growth.

Overall commercial property sentiment has improved, however. Office markets are stabilising but remain highly differentiated. Retail has showed something of a surprising revival.

A feature of the debate in 2025 was risks from financial market bubbles. Gold and Bitcoin were in the frame. But NVIDIA shares also grabbed attention (Chart 31). Most potential bubbles were starting to deflate by year end.

Meanwhile, I'm off to Bunnings for a sausage sandwich!

CONSTRUCTION PIPELINE
(2024-29)

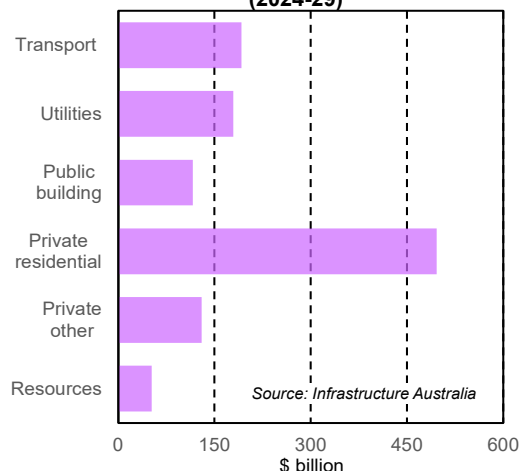
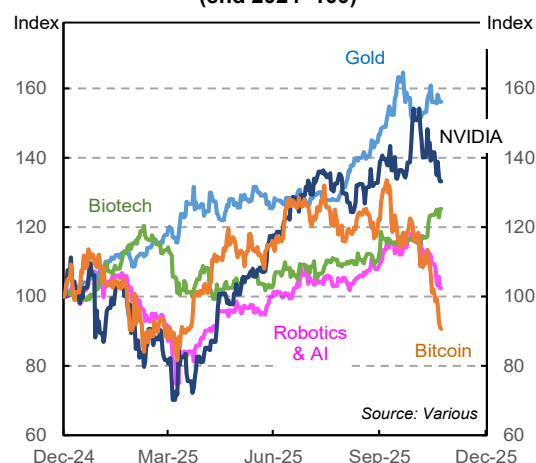


Table 5: Illustrative Financial Forecasts

	End '25	Mid'26	End'26
US Fed funds (upper)	3.75	3.5	3.5
RBA cash rate	3.6	3.35	3.35
Australia			
3-yr bonds	3.7	3.5	3.7
10-yr bonds	4.4	4.1	4.3
Curve slope	70bpts	60bpts	60bpts
Aus-US 10-yr spread	24bpts	15bpts	20bpts
AUD/USD	0.66	0.70	0.69
Source: RBA / Author's calcs			

ASSET BUBBLES?
(end 2024=100)



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