November 2026

Economic and market update

Economic Overview – as at 19th November 2026

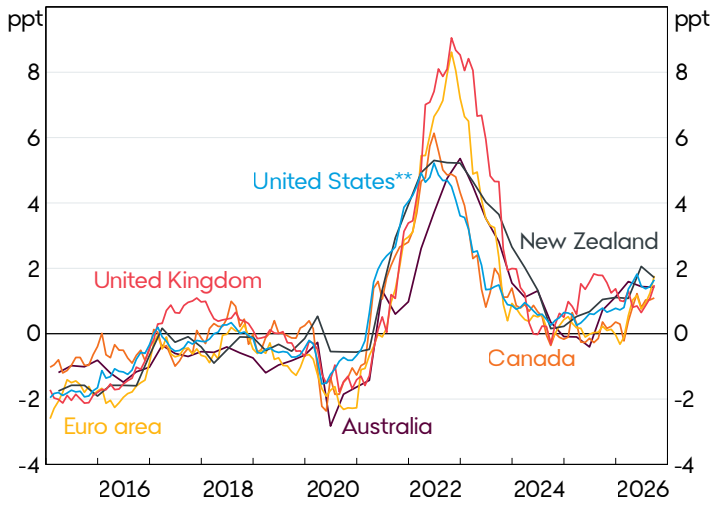
Global markets

The combination of stronger, more resilient growth than expected this year together with further evidence of persistent inflation has resulted in a broadening of major central banks' hiking rates, albeit at varying paces and from different starting positions for this cycle. Global growth had been feared by many to slow below 3% (well below its long-term average of 3.5% growth), mainly due to the Middle East conflict, however recent data points to the slowdown only being to 3.2% ahead of a recovery to near trend. This month's fall in Brent crude oil from above US$115 per barrel at the start of November to around US$95 has been welcome news when considering where inflation might settle next year. For the moment however, headline and core inflation rates are elevated (refer chart below) and central banks are dealing with these risks accordingly.

Part of the explanation of this resilience in growth lies in the AI technology boom and its current 'build-out phase', together with government spending in areas such as defence and the energy transition.

Headline Inflation Deviation From Target*

Year-ended



* Deviation from central bank inflation target or midpoint of central bank target range.

** PCE inflation.

Sources: ABS; LSEG; RBA.

This also helps to explain why stock markets have been so strong and the rise in manufacturing output PMI surveys, despite high oil and refined product prices. How strong these tailwinds will continue to be is a matter of conjecture in the wake of a number of recent events, including the US mid-term election (where the Democrat sweep of Congress could be interpreted as slower AI investment ahead), and the controversy around Nvidia has added to these concerns. However since then, more positively, Anthropic's initial public offering today set a record for the largest IPO in history, valuing the developer of Claude at US$1.5 T. US stocks have corrected lower since the mid-terms and the Nasdaq is down over 12% from its record high set in early October, but is still up over 25% over the last 2 years and 48% in the last 5.

This highly changeable environment amid geopolitical and market uncertainty hasn't made the task of central bank policy setting any easier, but the US Fed appear to be behind the curve having (perhaps distracted by the midterms) kept rates on hold in late October. Data since then has consistently suggested that higher US rates are inevitable, and the FOMC minutes also sounded very hawkish on inflation and strong (but uneven) pace of economic expansion. Core CPI and PPI both point to 0.3% m/m underlying inflation, so with tight labour markets the question is now will the December 9 interest rate decision be a 25 or 50 basis point rate hike?

Elsewhere, we have seen rate hikes from the Bank of England to 4% (their first hike since 2023), with one of the nine members of the MPC voting for a 50 bp hike, and similarly the Bank of Canada initiating their tightening cycle in late October to 2.5%. The ECB were earlier to start hiking (in June and September) so have been on hold at a 2.5% deposit rate, but are expected to continue lifting rates next month and again at least once in 2027. The Bank of Japan have a very different profile taking rates up to 1.25% with another hike expected next month, but this being the highest level since 1995. After decades of low inflation and modest growth, Japan is clearly benefitting from East Asia being a key part of the AI infrastructure supply chain.

The Chinese economy remains an outlier on a number of fronts – subdued domestic demand flowing through to low consumer inflation, ongoing property market weakness and a central bank slowly easing policy rates (the 7-day reverse repo rate was recently replaced by an overnight reverse repo rate, which engineered a fall from 1.4% to 1.25% as the benchmark rate). October's activity data was weak (extending previous months' deceleration) with retail sales slowing to 0.4% growth y/y from 1.1% previously, and fixed asset investment now contracting over 16% y/y. Hi-tech industrial production and exports remain the offsetting strength, but with the US apparently looking to minimise Chinese circumvention of their chip controls in the wake of the Nvidia scandal, the impact of tighter US controls in this space is another complication.

In summary, the resilient global growth seen in the last two quarters as AI investment tailwinds, have more than offset high energy costs and trade tensions – this will hopefully continue through to 2027 and the consensus view is for global growth to pick up next year. Risks to this expectation may be more so via slower tailwinds as the AI buildout faces fresh challenges, rather than risks of increasing headwinds from the price and supply of refined oil products. Either way with more rate hikes expected in most major economies the global outlook is finely balanced.

Domestic economy

The RBA rate hike to 4.85% occurred much sooner than forecast in our recent basecase scenario. However it was 85% priced into markets by the time the Board met on 2/3 November, after a slightly higher read on quarterly CPI the week before and a number of less than subtle interviews from RBA representatives. The vote was far from decisive with six voting for the hike and three to keep rates on hold. Minutes from the policy meeting showed healthy debate on the merit of being more patient with rate hikes, but the house view of the RBA was clearly one of prioritising getting inflation down quickly ahead of the jobs side of their dual mandate. We are now 1% above estimates of the nominal Neutral Rate and the RBA will retain restrictive rates at least until core inflation is back below 3%, which they forecast to occur in late 2027.

The monthly inflation data for September wasn't quite as dire as subsequent commentary has suggested with the core (trimmed mean) CPI at 0.26% for the month after 0.24% in August – so a run rate of 3.0% annualised (just within the target band). This reality was drowned out by the full quarterly numbers, where the trimmed mean was 1.0% for Q3 and 3.7% year-on-year, so the RBA are placing greater weight on this older series (including in their Senate Committee testimony on the day of this data) rather than the newer monthly series. Admittedly, the impact of higher fuel prices and refined products does look set to persist as the Middle East conflict drags on, even with the recent dip in Brent as detailed above in the global markets section.

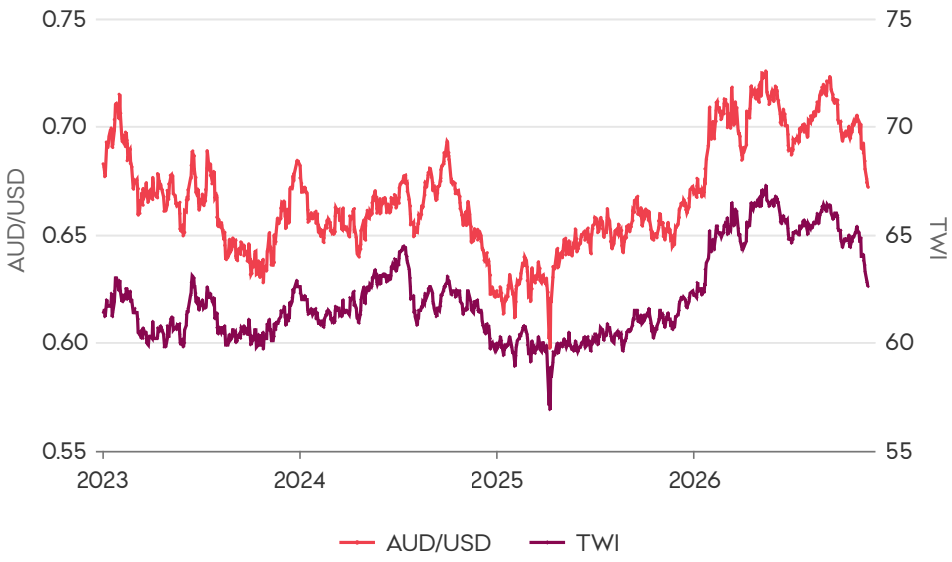
Since this decision (not surprisingly), consumer sentiment has taken another dive down to 78.2 in November as households feel the brunt of higher interest rates, high inflation (i.e. cost of living pressures) and falling home values, all of which should limit the need for any further RBA rate hikes. The latest jobs data added to the likelihood that we are at the top of this hiking cycle, with a jump in unemployment to 4.9% (much higher than RBA and consensus forecasts) and a fall in employment of 43k on top of the previous month's fall of 36k. There were a few caveats to this data: to the second decimal place, unemployment 'only' rose from 4.74% to 4.86%, and underemployment actually fell 0.1%. However, it all suggests that labour markets are continuing to ease from their ultra-tight levels back in 2022/23 and should continue to trend to around 5.25% (as forecast here for some time) – where the unemployment rate was back in 2018/19.

This combination of an earlier peak in RBA rates in contrast to imminent hikes in the US and other major economies, together with fears that economic growth here will be much slower (bordering on a recession), has hit the Aussie Dollar hard, falling around 6% in four weeks.

This fall is in contrast to bullish forecasts shared here based on outperformance of our major trading partners, interest rate differentials and our superior fiscal position (including our AAA credit rating). But the risk-off tone in markets and the sudden focus on higher US interest rates (and some suggestions that a recession may occur) have been hard for the market to ignore.

The role of AI in our economy this year and for the balance of the decade is a defining feature, both in the current build-out phase (with its consequences here and via our major trading partners), and the unknown path ahead as the technology reshapes the economy, labour markets and probably society more broadly. The appendix shows some charts and tables on this topic from a recent RBA speech. They neatly sum up the status quo and point to how well positioned Australia is to benefit from the boom, although arguably they are somewhat dismissive of the disruptive risks to jobs. It does support the view shared here for some time that the boom is adding to inflation and also to rising neutral rates, but is a key driver of business investment and should ultimately be a very helpful contributor to productivity. This will be critical in an economy that has outperformed on a range of international metrics, but has underperformed for over a decade in aggregate productivity.

AUD/USD Exchange Rates and TWI



Sources: WM/Reuters; RBA

Interest Rate Outlook

The RBA has taken a more aggressive approach to policy tightening than expected and now with a cash rate roughly 1% above neutral are very likely to keep rates unchanged for the next 9 months. While the RBA will maintain this restrictive setting in 2027 it appears increasingly likely that this is the peak in the policy cycle, although rate cuts will presumably require core inflation to be back below 3%, which (as per the basecase scenario below) may not occur until 2028.

Economic Forecasts: basecase scenario

	2025		2026				2027				2028
% (actual, forecast)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP q/q	0.5	0.9	0.3	0.4	0.3	0.2	0.3	0.6	0.6	0.6	0.6
GDP y/y	2.1	2.6	2.5	2.1	1.9	1.2	1.2	1.4	1.7	2.1	2.4
Unemployment	4.4	4.1	4.3	4.4	4.7	4.8	4.9	5.0	5.1	5.2	5.4
CPI (q/q)	1.3	0.6	1.4	0.6	1.3	0.5	0.6	0.6	0.9	0.7	0.8
CPI (y/y)	3.2	3.6	4.1	3.9	4.3	3.8	3.0	3.0	2.6	2.8	3.0
CPI (core y/y)	3.0	3.4	3.5	3.6	3.7	3.3	3.2	3.1	3.0	3.0	2.9
RBA cash rate	3.60	3.60	4.10	4.35	4.60	4.85	4.85	4.85	4.85	4.85	4.60
AUD / USD	.662	.668	.690	.692	.695	.69	.71	.73	.75	.78	.79

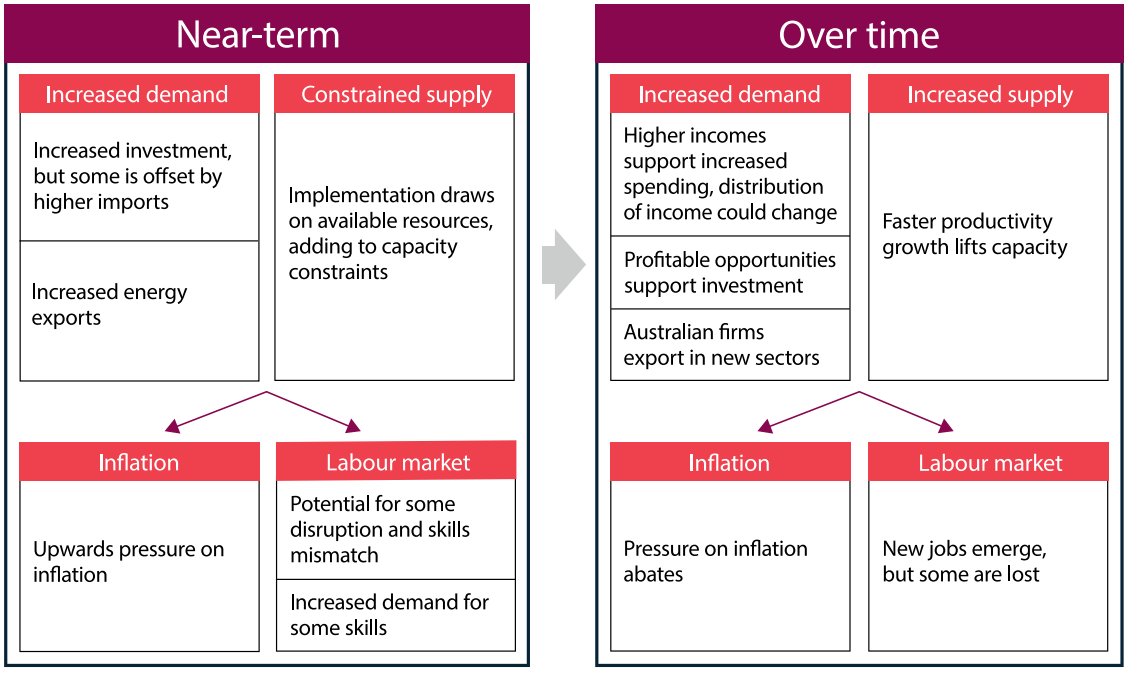
Benchmark rates

	30/9/25	30/9/2026	30/10/2026	19/11/2026
90-day bills	3.59%	4.72%	4.79%	4.95%
3-year swap	3.49%	4.95%	4.80%	4.75%
5-year swap	3.90%	5.25%	5.10%	5.01%
AUD/USD	.6610	.6945	.7035	.6675
ASX 200	8 849	8 789	8 710	8 730
Credit Index (iTraxx- 5 yr)	65.8	69.6	76.8	73.8

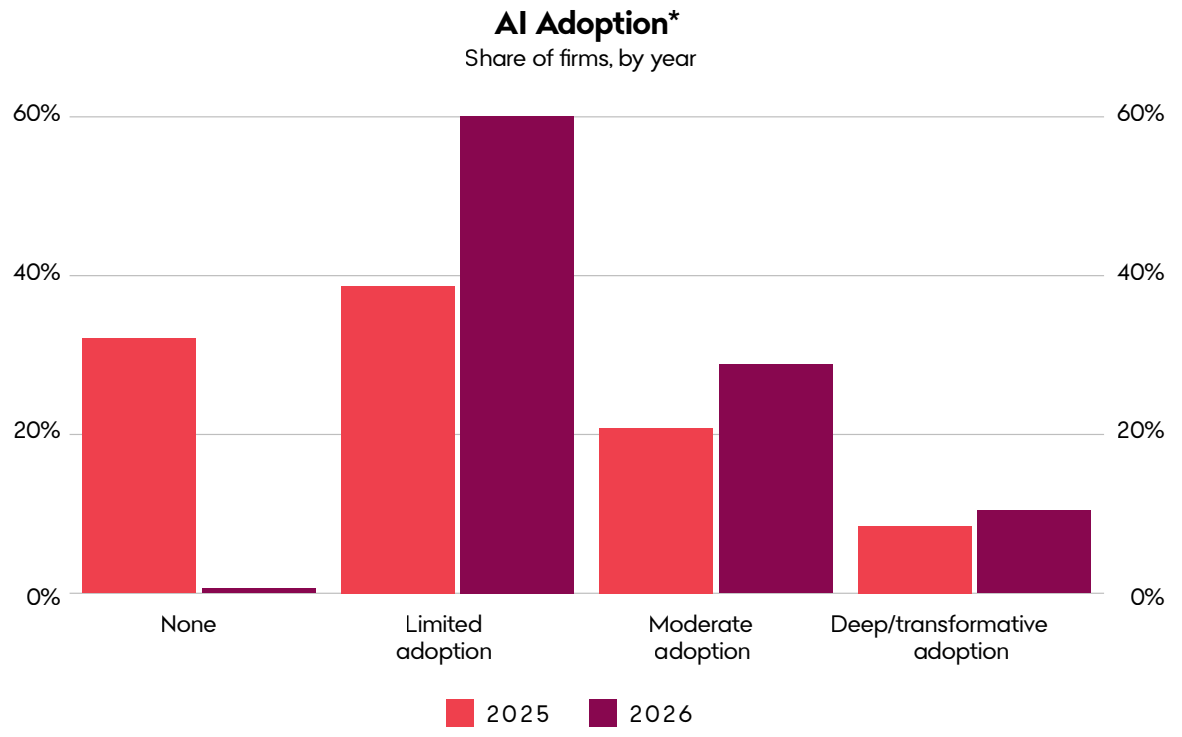
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Appendix:

Selected charts from a recent RBA speech on AI.



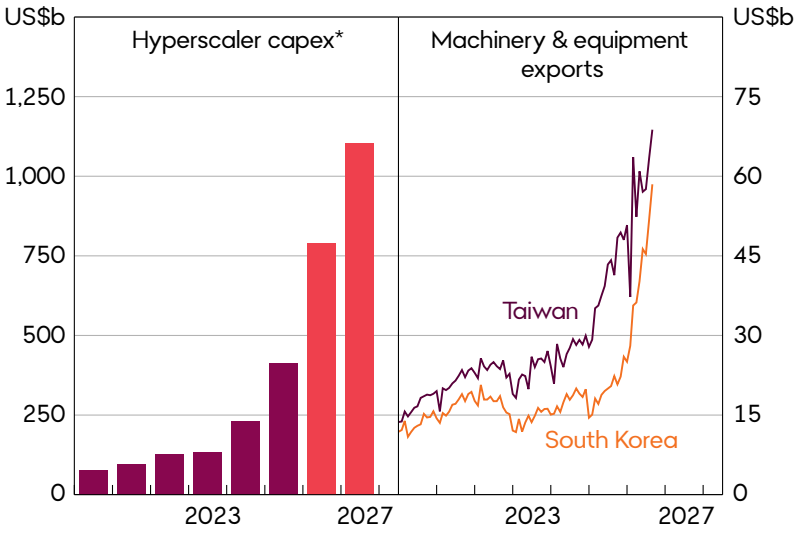
Source: RBA



* Data from respondents to the AI liaison questions. Contact questions and sample differ across years. 2025 'minimal' and 'significant' map to 2026 'limited' and 'deep/transformative' respectively. 2025 data is from May to August 2025, while 2026 data is from June to October 2026.

Source: RBA

Hyperscaler Capex and Exports

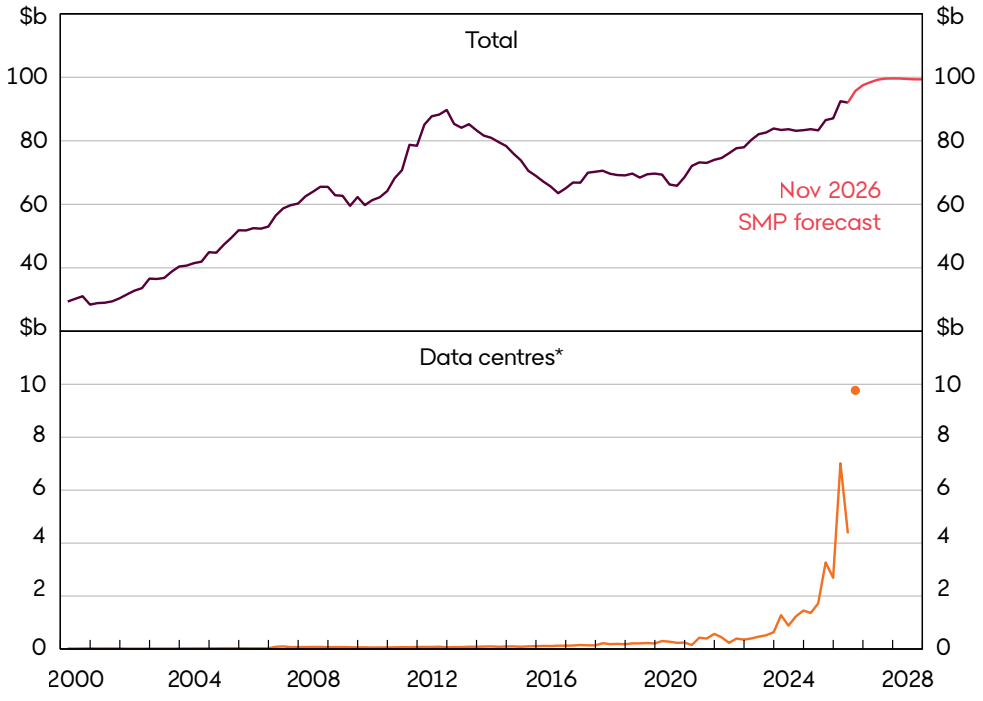


* Red bars show Bloomberg forecasts for 2026 and 2027.

Sources: Bloomberg; CEIC Data; RBA.

Business Investment

Chain volume, quarterly



* Estimate of data centre investment is derived from information media & telecommunications capital expenditure and is subject to assumptions. Dot represents nowcast at November 2026 SMP, informed by capex expectations and trade data.

Sources: ABS; RBA.