

20 February 2026

WESTPAC NOWCAST Q4 2025: FINAL ESTIMATE

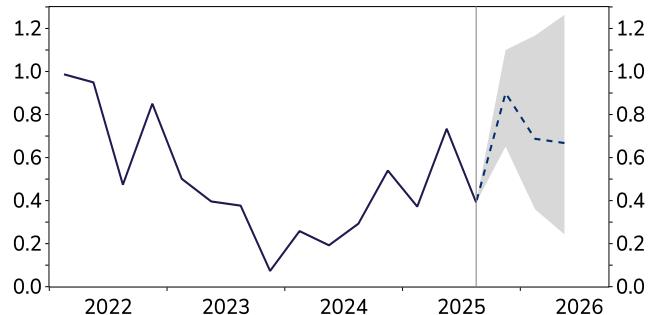
Upswing Has Further to Run

Key points

- Westpac-Now points to GDP growth of around 0.9%qtr in Q4 2025 (range 0.7-1.1%qtr) and 2.4%yr. Westpac-Now also suggests the soft Q3 2025 outcome of 0.4%qtr was more noise than signal, implying that part of the Q4 strength is bounce-back.
- Overall, the signal is clear: leading indicators are outperforming and point to further gains in activity. Most high-frequency indicators strengthened further through Q4 2025. Leading indicators, including credit growth, capacity utilisation, and household spending, contributed to the lift in activity. These gains were partially offset by some soft partial labour market indicators.
- Divergence between capacity utilisation and labour indicators may reflect earlier strength in public spending now normalising. This would weigh disproportionately on labour demand because most of this activity is labour-intensive.

Westpac-Now Estimates and Projections*

Quarterly % growth. Axis truncated for covid.



*Dotted line show Westpac-Now central estimates. Quarter ahead (or Q4 2025) relies on actual Westpac-MAI to January 2026. Beyond the quarter ahead, estimates rely on projections of the Westpac-MAI generated using internal model dynamics. Confidence intervals reflect empirical out of sample forecasting errors.

- Westpac-Now updates will be released monthly, with details outlined in Appendix A.

Trend Growth Resumes After a Three-Year Hiatus



Pat Bustamante

Senior Economist

In November 2025 we introduced **Westpac-Now**, a real-time measure of current activity in the Australian economy. Westpac-Now draws on more than 60 high-frequency economic and financial variables using advanced statistical techniques to provide a timely pulse check on momentum. It is the first Australian model to use internal banking data, adding to the measure's predictive power.

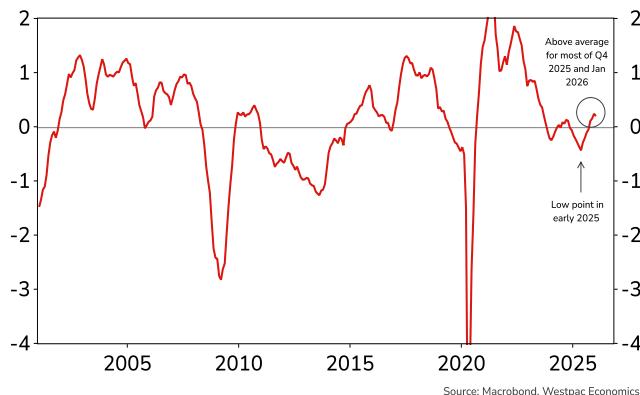
This note provides the very first official monthly update. Future updates will be published on a monthly basis (see **Appendix A** for a release schedule).

Broad-Based Upturn Continues

The growth pulse strengthened through Q4 2025, driven by a broad-based pick-up across our set of high-frequency economic and financial indicators. Since reaching a trough in April 2025, our "common activity factor" has risen by almost ½ppt – the sharpest improvement over a three-quarter period since 2017, excluding the COVID period.

Common Activity Factor

Index. Axis truncated for covid.

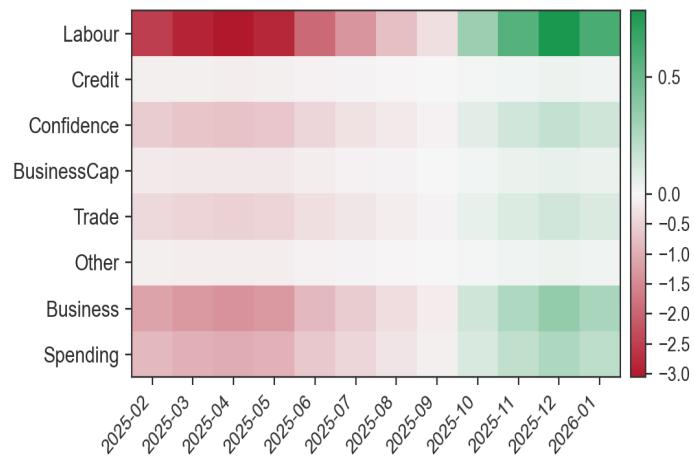


The heatmap below decomposes changes in the common activity factor into indicator (or group) level contributions, allowing us to assess whether the rebound in activity is broadly based or more narrowly driven. For ease, the chart below groups indicators into broad categories. For example, the labour market category includes official ABS Labour Force Survey indicators as well as more timely survey based measures of labour demand and job advertisements. Appendix B presents the full set of ungrouped indicators.

The heatmap shows that activity was weighed down primarily by labour market indicators (employment, hours worked, and job ads) in early 2025, alongside weak outcomes across a range of household spending, business conditions, and

confidence (both business and consumer) indicators. These headwinds eased as we approached mid 2025, before turning decisively in the second half of 2025, when these indicators shifted from detracting to supporting our measure of activity. Trade (external) conditions also showed signs of improvement in the second half of 2025. Notably, Appendix B indicates that business credit growth remained firm throughout the period, despite the soft activity outcomes recorded in early 2025.

The Westpac MAI heatmap by Groups



Leading Indicators Outperform, Reinforcing the Upswing

Our framework endogenously generates forecasts for each indicator, then compares realised outcomes with those forecasts to compute a "surprise" (or "news"). The model combines each surprise with its estimated weight and signal-to-noise properties to determine the "Kalman gain" – that is, how much the new information should be treated as signal rather than noise.

Recent upside surprises in credit growth, business capacity utilisation and household spending were key drivers over the December quarter. This implies that, given the current level of activity, credit growth (particularly housing credit) and business capacity utilisation are stronger than typically observed at similar points in the cycle. By contrast, despite improving labour market conditions, our framework suggests that this improvement has been softer than expected, generating downside surprises.

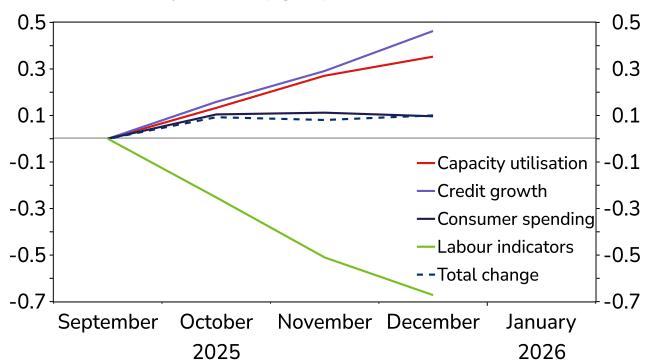
The apparent contradiction between upside surprises in business level capacity utilisation and downside surprises in labour market indicators may reflect the expansion in public spending, which has lifted output and employment across

a broad swathe of the economy — not just the non-market sector ([see here](#)). The elevated, and in some cases record high, public share of output across sectors helps explain why business capacity utilisation remains high and continues to surprise on the upside. Conversely, the recent slowdown in public spending, along with the shift from job-rich public demand to more capital-intensive private demand, may help explain the softer than expected labour market outcomes.

Regardless, the signal is clear: leading indicators are outperforming expectations and point to a further pick-up in activity.

"Surprise" contribution to activity factor*

Cumulative over Q4 2025, by group.

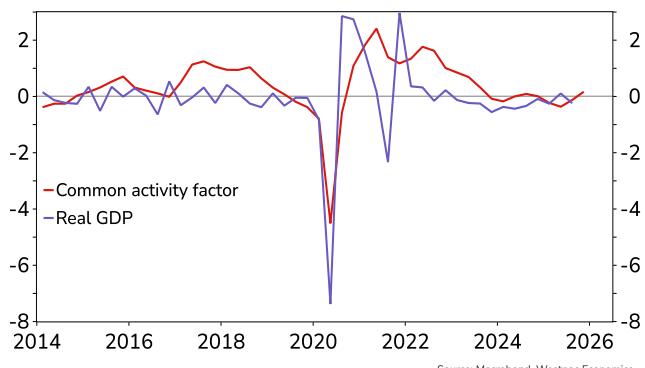


Westpac-Now: The Economy Is Back at Trend – and Possibly Beyond

Recall that the Westpac-Now estimate is a more refined indicator that combines component indicators using a sampling approach to produce point estimates of GDP growth. As previously noted, the fit is not expected to be exact, as measured GDP includes components that are not well captured by other measures of activity – such as imputed rents for owner occupiers, inventories and the depreciation of buildings and equipment. To bridge monthly and quarterly data, we employ a MIDAS framework, which allows us to combine mixed frequency data and incorporate partial information for the current quarter when producing GDP forecasts.

Common Activity Factor Vs GDP

Index and percentage points*



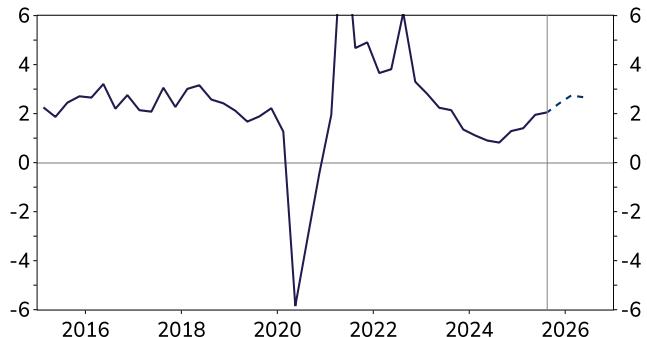
Based on our current forecast equations, Westpac-Now Q4 2025: final estimate points to GDP growth of around 0.9%qtr in Q4 (range 0.7–1.1%qtr), or 2.4% in year ended terms. Westpac Now also suggests that the softer Q3 2025 outcome (0.4%qtr) was less representative of the underlying trend than subsequent data implied.

This marks the first time since 2022 that annual growth has returned to around trend, following a marked slowdown over 2023 (1.4%yr) and 2024 (1.3%yr). Taken together, this points to a material strengthening in growth momentum. Moreover, forward-looking indicators continue to signal further growth, reinforcing the near-term outlook.

Projections further out, based on the indicator's internal dynamics, suggest growth of around 0.65%qtr in both Q1 and Q2 2026. However, these should be treated as indicative only, with heightened uncertainty given the reliance on projected inputs rather than realised data and the RBA's February rate hike which is expected to be followed by a further increase in coming months.

Westpac-Now Estimates and Projections*

Year-ended % growth. Axis truncated for covid.



Model Updates

Since November, we have made incremental updates to ensure our model uses the most informative variables and best practice techniques. These changes have resulted in only marginal revisions and do not alter the core signal.

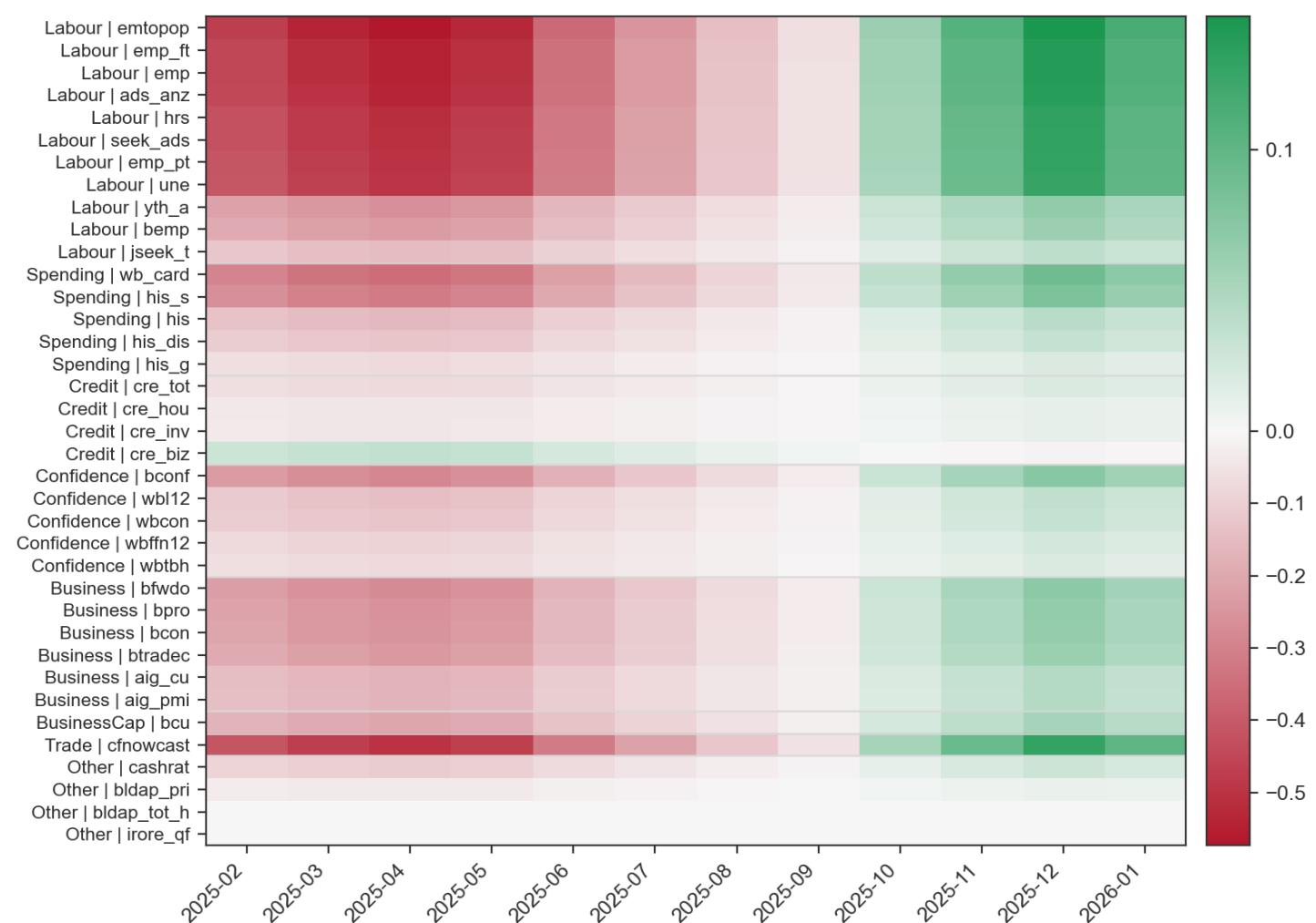
Looking ahead, we plan to further leverage de-identified internal banking data and extend Westpac Now to nowcast major components of activity, including household consumption, business investment, and government spending.

Appendix A: Westpac Now Release Schedule (2026)

Going forward, Westpac Now will be published on the Friday following each ABS Labour Force Survey (LFS) release, at 11:30am AEDT/AEST (Canberra time). Each release incorporates the latest labour market data alongside other high frequency indicators and provides an updated nowcast for quarterly GDP growth. As the quarter progresses, each update should be interpreted as a progressively more complete estimate of that quarter's economic performance.

Release date (Friday)	LFS reference month	Quarter focus	Interpretation
20 March 2026	February 2026	Q1 2026 – first estimate	Initial assessment of Q1 momentum
17 April 2026	March 2026	Q1 2026 – second estimate	Refined Q1 signal as activity data accumulate
22 May 2026	April 2026	Q1 2026 – final estimate	Near complete read on Q1 activity
19 June 2026	May 2026	Q2 2026 – first estimate	Initial assessment of Q2 momentum
17 July 2026	June 2026	Q2 2026 – second estimate	Refined Q2 signal as activity data accumulate
21 August 2026	July 2026	Q2 2026 – final estimate	Near complete read on Q2 activity
18 September 2026	August 2026	Q3 2026 – first estimate	Initial assessment of Q3 momentum
16 October 2026	September 2026	Q3 2026 – second estimate	Refined Q3 signal as activity data accumulate
20 November 2026	October 2026	Q3 2026 – final estimate	Near complete read on Q3 activity
18 December 2026	November 2026	Q4 2026 – first estimate	Initial assessment of Q4 momentum

Appendix B: The common activity factor heatmap by indicators



Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



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