

20 March 2026

WESTPAC NOWCAST Q1 2026: FIRST ESTIMATE

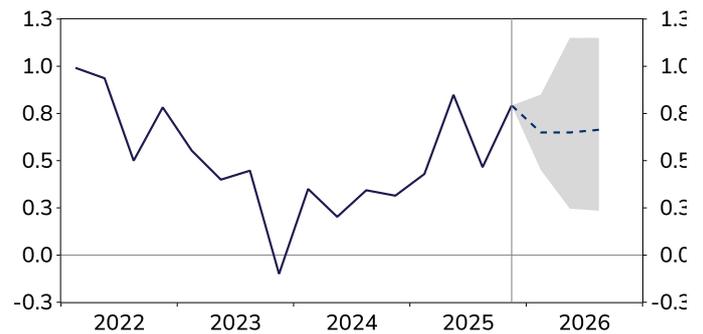
Activity stabilises

Key points

- Westpac-Now points to GDP growth of around 0.6% qtr in Q1 2026 (range: 0.55–0.75% qtr), lifting year-ended growth to 2.8% yr. This follows Westpac-Now’s final estimate for [Q4 2025 of 0.9% qtr](#), broadly in line with the actual outcome of 0.8% qtr.
- Our monthly activity index stalled in January, moving sideways for the first time since hitting a trough in May 2025. The indicator heatmap shows that labour market, confidence, consumer spending and global activity indicators have lost some momentum, after finishing 2025 on a strong note.
- This modest easing is likely to be welcomed by the RBA, with growth moderating toward their estimate of trend growth. Importantly, this moderation is evident in January high frequency data, before the Middle East conflict and recent rate hikes occurred, and therefore predates their likely drag on confidence and activity.

Quarterly GDP Growth*

Quarterly % growth. Axis truncated for covid.



Source: ABS, Macrobond, Westpac Economics
*Dotted line show Westpac-Now central estimates. Quarter ahead (or Q1 2025) relies on the actual Westpac monthly activity index to January 2026. Beyond the quarter ahead, estimates rely on projections of the Westpac monthly activity index generated using internal model dynamics. Confidence intervals reflect empirical out of sample forecasting errors.

- Our framework suggests growth will stabilise at around 0.6% qtr over the following two quarters, through to Q3 2026.
- Westpac Now updates will be released monthly, with schedule details set out in Appendix A.

Activity stabilises as growth moderates toward trend



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 economic momentum. It is the first Australian model to incorporate internal banking data, enhancing its predictive power.

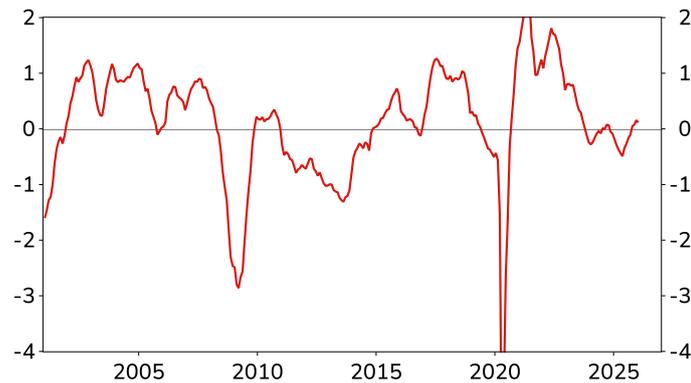
This note provides the first estimate of growth for the March quarter 2026, using domestic and international data released up to and including the February Labour Force Survey (released 19 March 2026). Future updates will be published monthly (see Appendix A for the release schedule).

Monthly activity index moves sideways in January

Our monthly activity index stalled in January, moving sideways for the first time since reaching a trough in May 2025. The indicator recovered throughout the second half of 2025 as Australia's economic upswing broadened and gathered momentum but now appears to have stabilised in the early part of 2026.

Westpac Monthly Activity Index

Index. Axis truncated for covid.

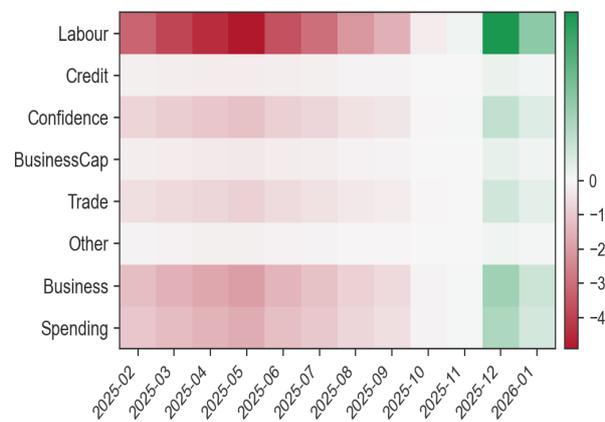


Source: ABS, Macrobond, Westpac Economics

The indicator heatmap below decomposes changes in the monthly activity index into group-level contributions, allowing us to assess which components drove the moderation. For ease of interpretation, indicators are grouped into broad categories. For example, the labour market category includes both official ABS Labour Force Survey outcomes and more timely survey-based measures of labour demand and job advertisements. Appendix B presents the full set of ungrouped indicators.

The heatmap suggests that some momentum has come out of the labour market, business and consumer confidence, consumer spending, and the international sector. Importantly, this reflects high-frequency data covering January, before the conflict in the Middle East conflict and recent rate hikes had even occurred.

The Common Activity Factor Heatmap by Groups



Westpac-Now: Growth moderating toward trend

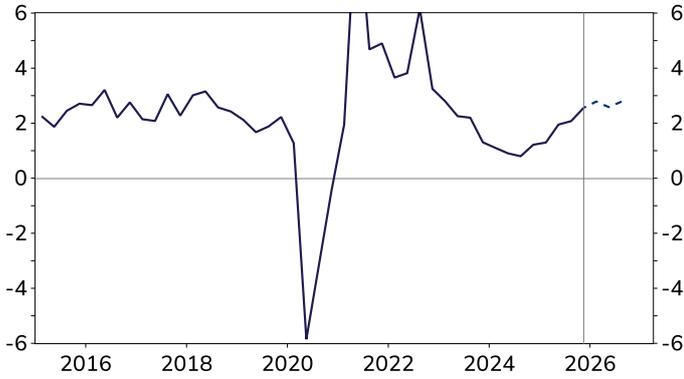
Recall that the Westpac-Now estimate is a more refined indicator that combines our monthly activity indicator using advanced econometric techniques to produce point estimates of GDP growth. As previously noted, the fit is not expected to be exact, as measured GDP includes components that are not well captured by other activity measures, such as imputed rents for owner-occupiers, public and business 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.

Based on our current forecast equations, the **Westpac-Now Q1 2026 first estimate points to GDP growth of 0.6% qtr** (range: 0.55–0.75% qtr), lifting year-ended growth to 2.8% yr. Projections further out, based on the indicator's internal dynamics, suggest growth of around 0.6% qtr in both Q2 and Q3 2026. However, these projections should be treated as indicative only, with heightened uncertainty given the reliance on projected inputs rather than realised data.

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.

Real GDP Growth

Year-ended % growth. Axis truncated for covid.



Source: ABS, Macrobond, Westpac Economics

This contrasts sharply with the evolution of the Westpac-Now Q4 2025 nowcast, where there was a noticeable step-up in the 'first estimate', with our nowcast converging on 0.9%qtr over the subsequent two months.

Bottom line

The underlying growth momentum has eased toward trend heading into 2026, with January data pointing to a slight moderation even before recent external shocks and tighter monetary policy had even occurred.

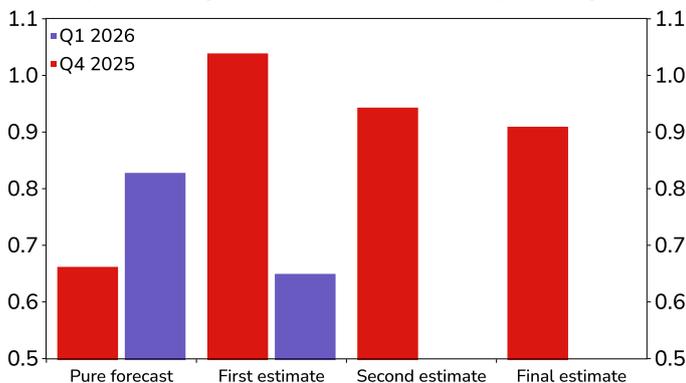
January data signal a moderation in growth

Also recall that we estimate different specifications for our forecast equations that use alternative information sets. The 'pure forecast' specification includes data up to and including the final month of the quarter preceding the forecast quarter (e.g. up to December for a March quarter nowcast). The 'first estimate' specification includes data up to and including the first month of the quarter being forecast (e.g. up to January for a March quarter nowcast).

In moving from the pure-forecast to the first-estimate specification, we see a step-down in our nowcast from around 0.8%qtr to 0.6%qtr. **This suggests that data released in January point to a moderation in growth, or that outcomes were softer than required to be consistent with growth of around 0.8% qtr under the pure-forecast specification.** Notably, this moderation appears before the impacts of the Middle East conflict and 50 basis points of rate hikes have flowed through to confidence and spending decisions.

Evolution of Westpac-Now

Within quarter changes to Westpac-Now, quarterly % change



Source: ABS, Macrobond, Westpac Economics

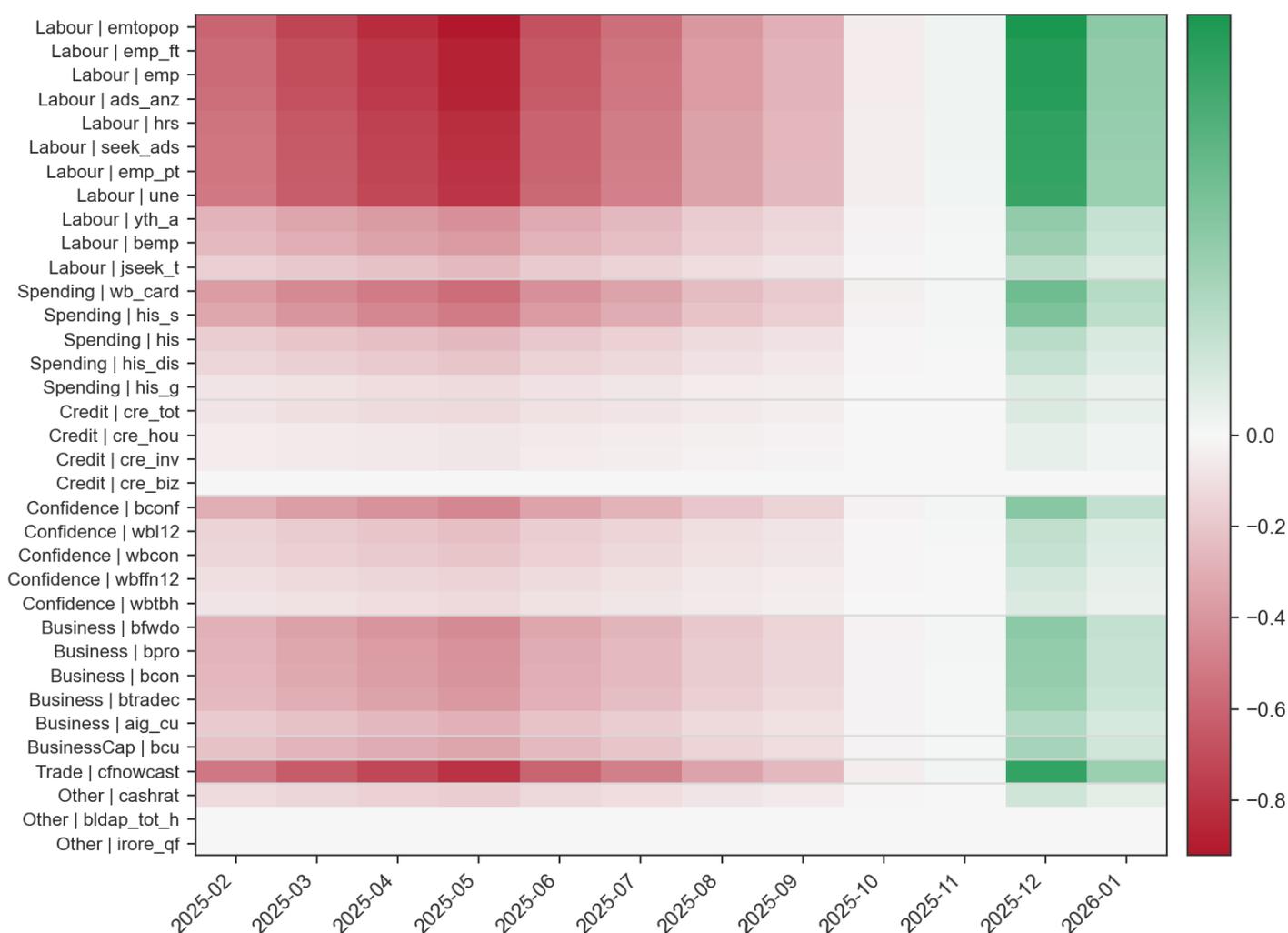
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Appendix A: Westpac Now Release Schedule (2026)

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
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



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