QUARTERLY BUSINESS SIGNAL*

A widening divide across businesses

22 July 2026

*The Westpac Business Signal replaces the former Quartery Business Snapshot and is based on the new Westpac-DataX Business Panel, which includes more than 350,000 businesses. The dataset tracks revenues, expenses and cashflow to provide a timely read on business operating and cashflow conditions by industries, states, and business size.

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Head of Business & Industry Economics

The Westpac Business Signal uses a large-scale transaction dataset that provides a timely and detailed picture of Australian business conditions. This dataset was developed by Westpac Economics and DataX, Westpac's data analytics team, and uses business customer transaction data to track revenues, expenses and cashflow across different industries, regions and business sizes. All data is de-identified and aggregated to ensure privacy.

The resulting sample of more than 350,000 businesses provides a representative view of conditions across the Australian business landscape allowing us to track changes in business activity and cost pressures in real time. The methodology can be viewed here.

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Key points

- The Westpac Business Performance Gauge (the ratio of operating revenues to operating expenses) rose 0.2%qtr in Q2, a softer pace than in recent quarters.[1] The gauge remains around 1% higher than a year earlier.
- The Westpac Cashflow Gauge (the ratio of operating revenues to operating expenses plus liabilities) rose 0.3%qtr and is also around 1% higher than a year earlier, supported by broadly stable debt-servicing costs after several quarters of sharp increases.
- The improvement in aggregate conditions continues to be driven by larger businesses. The Commercial Performance Gauge rose 0.2%qtr and the Large Corporate Operating Gauge rose 0.1%qtr, with annual growth of 1.2% and 1.4% respectively the strongest outcome for Large Corporates since Q3 2024. Meanwhile, the SME Operating Gauge fell 1.3% as costs outpaced revenues, squeezing margins.
- Aggregate revenue growth in Q2 was concentrated in business-to-business and government-related activity. Revenues among consumer-facing businesses remained the weakest of the major categories.
- Total operating expenses rose 2.7%qtr, driven by a 12% increase in fuel costs following the escalation of the Middle East conflict and higher utilities costs.
- Debt-servicing costs rose just 0.2%qtr but remain 11% higher than a year ago following the cumulative tightening delivered since February. A further 50bps of tightening expected through Q3 will add to debt-servicing costs.
- Westpac's Industry Performance Gauge was flat in Q2. Conditions improved in 8 of the 15 industries, unchanged from Q1, with Education and Construction the standouts.
- Consumer-facing industries weakened further in Q2 as households pulled back on spending. The share of consumer-facing businesses recording improved cashflow conditions fell from 44% to 30%, the lowest since late 2022.
- SME conditions deteriorated broadly, with 12 of the 15 industries recording a decline. Agriculture, Wholesale Trade and Transport were the only industries to record gains, despite being among the most exposed to higher fuel and transport costs. Within SMEs, the deterioration was concentrated among businesses with annual turnover above $150k, reflecting stronger cost growth.
- State outcomes were mixed. NSW, TAS and SA recorded modest gains, while the more commodity-exposed states, WA and QLD, both deteriorated. VIC was little changed, masking a widening gap between strong business investment and weak household spending and residential construction. SA remains the standout, with conditions 6.4% higher than a year ago, supported by defence-related spending, public sector activity and a strong residential construction cycle.
- Business conditions are expected to become increasingly uneven over the next 12-18 months. GDP growth is expected to slow to around 0.7%yr by end-2026, before gradually recovering through 2027.[2] With Trimmed Mean inflation projected to average around 3.6% over H2, well above the RBA's 2–3% target band, we expect a further 50bps of tightening in August and September, taking the cash rate to 4.85%.
- Investment-related activity, including data centres, defence, infrastructure and residential construction, should continue to support parts of the economy, particularly Construction and Business services such as Professional Services and ICT. Consumer-facing industries are likely to remain under pressure as higher inflation, interest rates and tax payments weigh on household spending.
- The Middle East conflict remains a key influence on the outlook and the risks are two sided. But our baseline view is that the current flare-up will be short-lived and we expect Brent to average US$85/bbl in Q4, before easing to around US$68/bbl by end-2027. In the short-term though fuel, fertiliser and plastics prices will continue to place upward pressure on business costs.
- The outlook remains highly dependent on developments in the Middle East and, in particular the pace of normalisation of shipping through the Strait of Hormuz.

Key outcomes for Q2:

Westpac's Business Performance Gauge rose 0.2%qtr.

8 out of 15 industries saw an improvement

SME Business Cashflow Gauge fell sharply

Commercial and Large Corporate Business Performance Gauges up modestly.

"Business performance was uneven with SME margins under pressure. We expect the gap with larger businesses to widen further."

[1] The Westpac Business Performance Gauge (BPG) is the ratio of operating revenues to operating expenses, excluding tax flows and debt-servicing. The Westpac Cashflow Gauge (CFG) is the ratio of operating revenues to operating expenses plus debt-servicing net of tax. Both gauges are seasonally adjusted and indexed to 100 at FY2024-25.

[2] All forecasts referred to in this publication are from Westpac Economics' Market Outlook July 2026 published 10th July 2026 and can be found in Appendix.

Cashflow insights: Modest gains as cost pressures rise

Growth in Westpac's Business Performance Gauge (the ratio of operating revenues to operating expenses) softened in Q2, rising 0.2% in the quarter. Despite the moderation, operating conditions remain around 1% higher than a year ago.

The improvement in aggregate business conditions was driven by larger businesses. Commercial and Large Corporate businesses recorded gains, while SME conditions deteriorated in Q2 (see pages 5-9 for more detail).

Aggregate revenue growth in Q2 was concentrated in business-to-business (B2B) and government-related activity. Revenues among consumer-facing businesses, such as retail, remained the weakest of the major categories and, compared with a year ago, are growing at a much slower pace than those of B2B firms.

On the expense side, the picture was mixed. Total expenses grew 2.7% in the quarter, driven by sharp increases in fuel (+12%qtr) and utilities as conflict in the Middle East pushed up energy costs. The total wage bill was more subdued, falling 1.4% in the quarter. Consistent with this, national employment growth stalled over April and May.

Cost pressures, however, remain uneven across sectors. Input costs in manufacturing are still elevated, although the AUD, which averaged around US$0.69 in Q2, helped damp some of the pass-through from imported goods prices. Meanwhile, the construction sector faced renewed cost pressures from higher building material and fuel costs.

Across the industry groupings, non-market activity, which includes Education, Health Care and Public Administration, was the standout in Q2, rising 0.7%qtr and 3.4%yr. This follows strong growth in Q1, which was also evident in the national accounts and reflected activity associated with data centres and software investment. Our Business Performance Gauge suggests some pull-back in ICT activity, although this is more likely to reflect the lumpy nature of data centre build-outs than a broader loss of momentum.

By contrast, consumer-facing industries fell 0.3%qtr and are now 2.8% below their level a year ago. This is unsurprising given households continue to bear the burden of higher inflation and interest rates. Consumer sentiment has also slipped back into pessimistic territory.

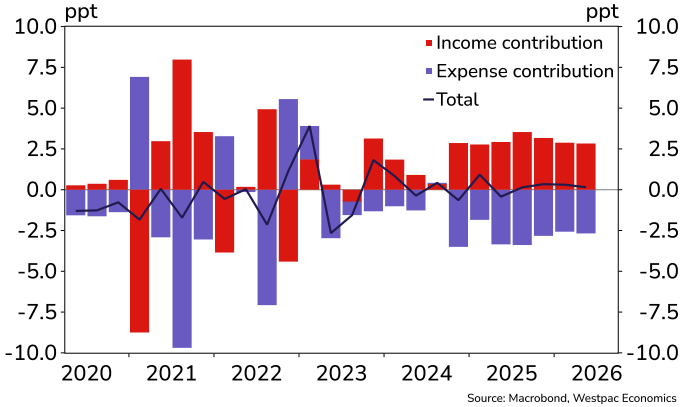
Westpac's Cashflow Gauge (the ratio of operating revenues to operating expenses plus debt servicing and net taxes) rose 0.3%qtr in Q2 and remains around 1% higher than a year ago.

Debt-servicing costs were broadly unchanged in Q2, rising just 0.2% after several quarters of sharp increases. Recent policy tightening, which has unwound much of the accommodation delivered through 2025, has left aggregate debt-servicing costs 11% higher than a year ago. With trimmed mean inflation projected to average around 3.6%yr in H2, above the RBA's target midpoint, we expect a further 50bps of policy tightening through Q3, placing additional upward pressure on debt-servicing costs.

Overall, the aggregate picture is one of steady but modest improvement, with much of the current strength concentrated in non-market sectors and construction. Elsewhere, businesses continue to face pressure from higher input costs, subdued consumer demand and the cumulative effects of tighter monetary policy. Further increases in the cash rate are likely to constrain the pace of improvement in business and cashflow conditions over coming quarters.

Westpac Business Performance Gauge

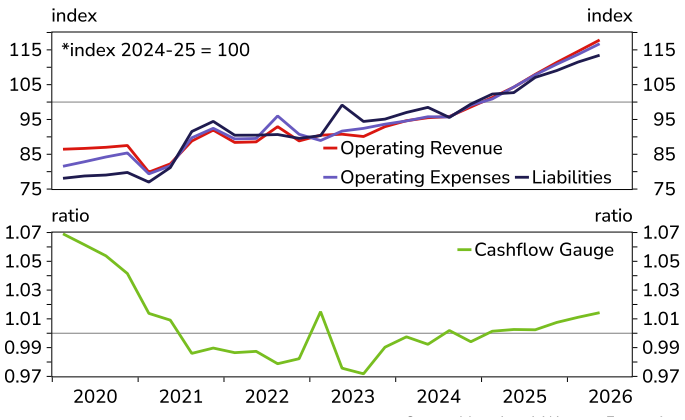
Excl. debt servicing, contribution to quarterly % change



Source: Macrobond, Westpac Economics

Westpac Cashflow Gauge

Incl. debt servicing



Industry insights: Diverging conditions amid rising costs

Westpac's Industry Performance Gauge was flat in Q2, as higher expenses offset more moderate revenue growth. The gauge remains 0.2% higher than a year ago.

Industry conditions were mixed, with activity improving in eight of the 15 industries, unchanged from Q1.

Consumer-facing industries weakened in Q2 with Retail Trade falling 1.2%qtr as consumers pulled back on discretionary spending. Arts and Recreation Services declined 0.4%. These outcomes point to little growth in household consumption in Q2 and raise the risk of an outright decline.

The gauge suggests performance in the Agriculture industry was down 0.5%qtr, but remains 2.9% higher than a year ago. The sector remains one of the most exposed to higher fuel costs, with fertiliser and transport costs adding to the pressure.

Fuel costs rose sharply during the quarter, increasing 12% following the escalation of the Middle East conflict. While some of the increase likely reflected precautionary purchasing amid concerns over supply disruptions, fuel cost growth eased through May and June as prices retraced and fears of shortages subsided.

Despite higher fuel prices, the Transport sector recorded a modest gain of 1.2%qtr. This likely reflects the fuel cost recovery rules introduced in April. In contrast to the diesel price spike in 2022, operators have been able to pass through higher fuel costs. Surcharges are benchmarked to prices as at 6 March 2026 and will remain in place until prices fall below A$2 per litre, which we expect in Q2 2027.

The largest decline was recorded in the ICT sector, which fell 2.1%qtr. However, this followed a strong outcome in Q1 and likely reflects the lumpy nature of data centre investment. More broadly, data centre investment remains one of the strongest areas of private capital expenditure and continues to support activity across ICT, construction and professional services.

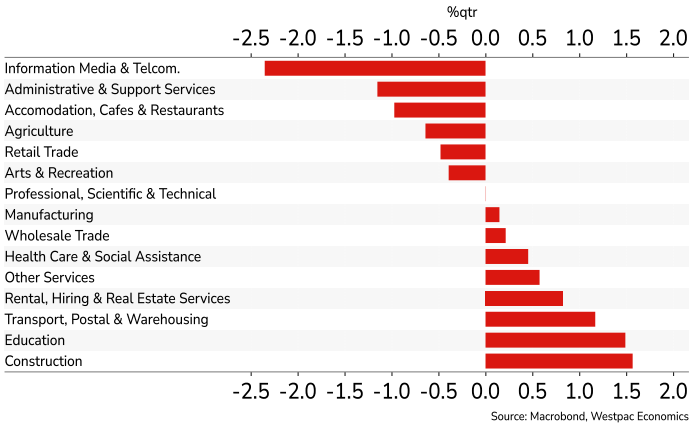
Education and Construction were the standout performers in Q2, growing 1.4% and 1.6% respectively. Construction activity accelerated after a solid Q1, with revenue growth of 3.4%qtr comfortably outpacing expense growth of 1.8%qtr. The sector continues to be supported by a strong pipeline of residential and non-residential building work, including data centres, renewable energy projects and public infrastructure.

That said, cost pressures are building. Based on announced supplier increases, we estimate building material costs rose 12.6% in Q2, including energy-intensive inputs such as cement, steel and plastics. Labour costs are also higher. Some of these pressures are starting to feed through to end prices, with the housing component of the CPI accelerating to 5.6%yr in May. How much construction firms pass on higher costs, will be a key issue for the sector over coming quarters.

Trends in cashflow conditions were mixed across industries in Q2. Consumer-facing industries saw a clear deterioration, with the share of businesses reporting improved cashflow falling from 44% to 30%, the lowest since late 2022, while the share reporting constrained cashflow rose from 19% to 29%.

Elsewhere, the picture was more mixed. Business Services recorded modest increases in both improving and constrained cashflow shares. Non-market industries also saw a rise in both measures, although the share reporting constrained cashflow increased almost 10ppts to 52%, above its long-run average of 46%.

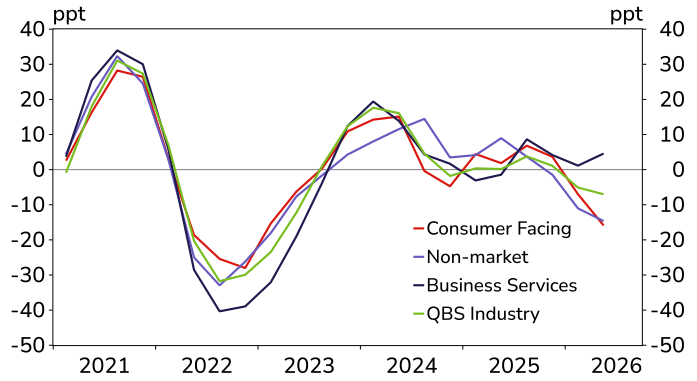
Westpac Industry Performance Gauge



Source: Macrobond, Westpac Economics

Share of businesses with improving cashflow

Percentage point deviation average, two quarter rolling average



Source: Macrobond, Westpac Economics

SME insights: Margins coming under pressure

Both Westpac's SME Business Performance Gauge and Cashflow Gauge deteriorated in Q2, falling 1.3% and 0.9% respectively. The decline was larger than that recorded across the Commercial and Large Corporate segments and was concentrated among businesses with annual turnover above $150k.

The deterioration reflected a widening gap between revenue and expense growth. Operating expenses rose 1.3% in the quarter, materially outpacing the 0.2% increase in operating revenue, placing pressure on SME margins.

Across operating expenses, fuel costs recorded the sharpest increase, rising 10.9%qtr. The rise would have been larger without temporary fuel excise relief provided by Federal and State governments, which is due to end in August. Meanwhile, the total labour cost bill rose 2.5%(units). At around 10% of total operating expenses, labour costs remain one of the largest cost pressures facing the sector, reflecting wages, hours worked and superannuation.

The sharper deterioration among SMEs with annual turnover above $150k reflected stronger cost growth. Labour costs rose 2.9% for larger SMEs, while smaller SMEs recorded a decline. Tax and fuel costs also increased more strongly among the larger SME cohort.

By industry, SME operating conditions deteriorated broadly, with 12 of the 15 industries recording a decline in Q2. Retail Trade fell 0.7% as households pulled back on discretionary spending, while Accommodation and Food Services was broadly unchanged. This is consistent with our DataX Card Tracker, which showed spending on discretionary services holding up better than goods.

Construction fell 0.5%, with expense growth outpacing revenue growth as fuel and material costs rose sharply during the quarter. Construction remains one of the most energy-intensive sectors, with higher diesel, steel, cement and transport costs adding to pressure on margins. This suggests some margin compression among smaller construction firms in Q2. While conditions appear less severe than in 2022-23, when fixed-price contracts left many firms exposed to surging input costs, profitability remains under pressure.

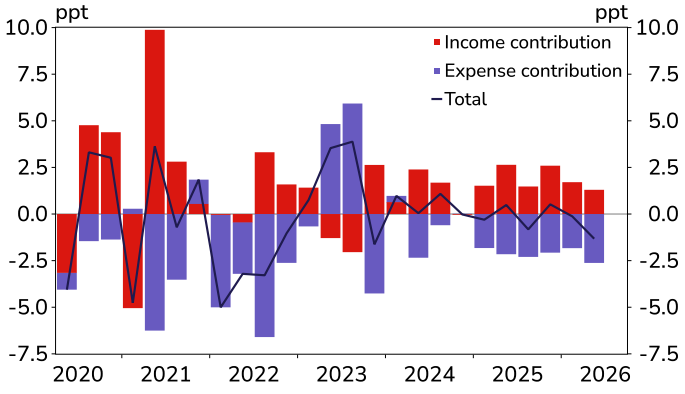
Agriculture, Wholesale Trade and Transport were the only industries to record gains in Q2, despite being among the most exposed to rising fuel and transport costs. Agriculture was the standout, rising 1.4% as revenue growth of 3.9% more than offset higher costs. Transport also recorded a modest gain, likely reflecting fuel cost recovery rules introduced in Q2 that enabled operators to pass through higher diesel prices. Wholesale Trade was broadly unchanged.

Cashflow conditions also weakened in Q2. Alongside softer operating conditions, rising debt-servicing costs continued to weigh on SME cashflow positions. Debt-servicing costs increased sharply following the RBA's 75bp increase in the cash rate since February, adding to pressure already emerging from margin compression.

SME conditions remain weaker than those of Commercial and Large Corporate businesses. While conditions have improved from the lows recorded during the 2022 downturn, the recovery has been slower and more uneven than for larger businesses. Recent quarters have underscored the sector's sensitivity to rising input costs and tighter monetary policy.

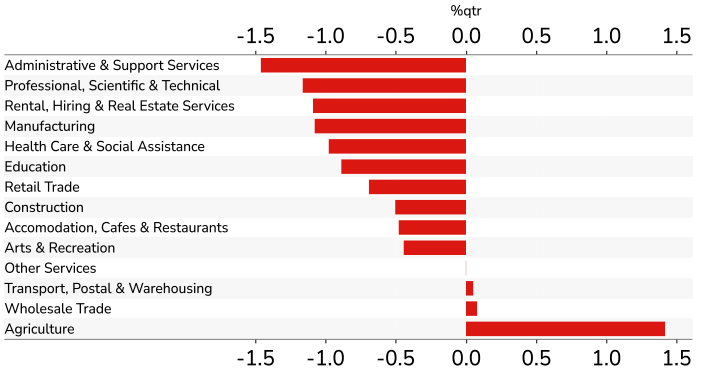
SME Business Performance Gauge

Excl. debt servicing, contribution to quarterly % change



Source: Macrobond, Westpac Economics

SME Industry Performance Gauge



Source: Macrobond, Westpac Economics

SME businesses are those with annual aggregated turnover of less than $5m.

Commercial insights: Conditions mixed across industries

Commercial operating and cashflow conditions posted modest gains in Q2, rising 0.2%qtr and 0.4%qtr respectively. Both gauges have trended higher over the past 18 months and remain 0.3% and 0.5% above their levels a year ago.

Operating revenue grew 1.7%qtr in Q2, in line with the pace recorded in Q1. Meanwhile, operating expense growth eased slightly to 1.5%qtr. This occurred despite a sharp increase in fuel and transport costs, as insurance and tax expenses pulled back following strong increases in Q1.

Across industries, Commercial operating conditions improved in 10 of the 15 industries in Q2, down slightly from 11 in Q1. Rental, Hiring and Real Estate Services led the gains, rising 2.1%qtr, supported by solid dwelling turnover ahead of the Federal Government's housing tax reforms and resilient commercial property activity. CBRE reports industrial investment volumes in H1 2026 have already exceeded the total recorded across 2025, while vacancy rates remain low and yields broadly stable. This points to continued demand for high-quality industrial assets, although changes to capital gains tax have introduced some uncertainty.

Consumer-facing industries were mixed. Accommodation and Food Services rose 0.7%qtr, while Retail Trade fell 0.6%qtr, consistent with the softer household spending backdrop.

Manufacturing fell 1.2%qtr, weighed down by rising input costs. Both the ACCI-Westpac Business Survey and ABS business surveys suggest firms are only partially passing through cost increases. Higher energy costs following the Middle East conflict have lifted costs for refiners, while elevated cattle prices continue to pressure food processors despite strong export demand for Australian beef. Agriculture also fell 2.9%qtr, reflecting a sharp rise in fuel and fertiliser costs.

Cashflow conditions improved slightly more than operating conditions in Q2, rising 0.4%qtr. This reflected a modest easing in debt-servicing costs, which fell 0.3% qtr after the sharp increases recorded in late 2025 and early 2026. While this provided some relief during the quarter, further policy tightening is expected to place upward pressure on debt-servicing costs over coming quarters.

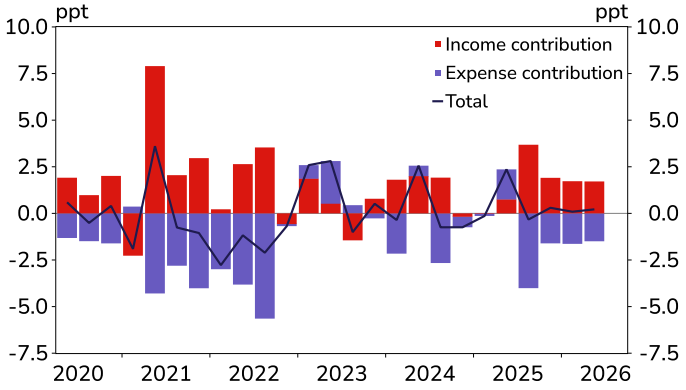
A divergence between SME and Commercial businesses has been evident since the 2022 downturn and has widened further over the past year. Commercial businesses have generally maintained a wider gap between revenue growth and expense growth, while SMEs have faced increasing margin pressure as costs have risen more quickly than revenues. Greater scale and a stronger ability to pass through higher costs have helped insulate Commercial businesses from some of the pressures facing SMEs.

The share of Commercial firms reporting improved cashflow conditions continued to trend higher in Q2 and remains above its long-run average. By contrast, the corresponding share for SMEs fell to its lowest level since early 2023 and remains below average. Just over 40% of SMEs reported improved cashflow conditions relative to a year earlier in Q2, down 7ppts from Q1. Meanwhile, the share of Commercial firms reporting improved cashflow conditions rose to 57%, its highest level since early 2024.

Both segments recorded an increase in the share of firms reporting constrained cashflow conditions in Q2. Among SMEs, the measure rose 1.3ppts to 39%, while for Commercial firms it increased almost 4ppts to 32%. Despite these increases, both measures remain below their long-run averages.

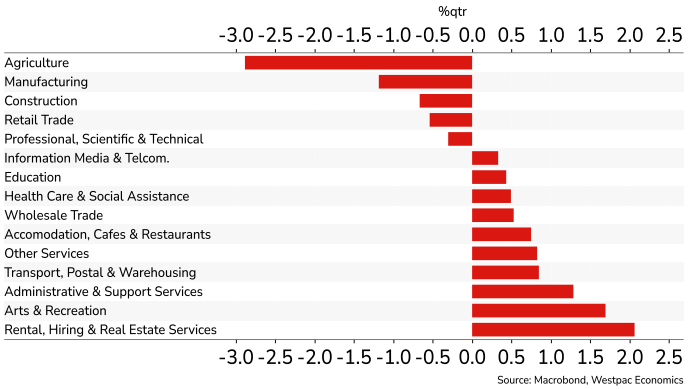
Commercial Business Performance Gauge

Excl. debt servicing, contribution to quarterly % change



Source: Macrobond, Westpac Economics

Commercial Industry Performance Gauge



Source: Macrobond, Westpac Economics

Commercial businesses are those with annual aggregated turnover between $5m and $150m.

Large Corporates insights: Momentum eases but conditions resilient

Large Corporate operating and cashflow conditions edged higher in Q2, with the Business Performance Gauge rising 0.1% and the Cashflow Gauge 0.3%. While growth moderated during the quarter, both gauges remain more than 1% above their levels a year ago. Annual growth of 1.2% and 1.4% respectively marks the strongest outcome for the segment since Q3 2024.

Operating revenue growth eased to 2.9%qtr in Q2, with eight of the 15 industries analysed recording slower growth than in Q1, particularly Transport and consumer-facing industries. Stronger outcomes in Education and Construction partly offset this moderation.

Despite slower revenue growth, revenues continued to outpace expenses. Large Corporates have generally been better placed than SMEs to pass through higher input costs and absorb periods of cost volatility.

Operating expenses grew 2.8%qtr in Q2, a similar pace to Q1, driven by a strong increase in utilities costs. Utilities account for 14.7% of Large Corporate operating expenses, compared with around 8-9% for SMEs and Commercial businesses. This reflects significant energy exposure across sectors including Manufacturing, Wholesale and Retail Distribution, Transport and Warehousing, and Property. Growth in the total wage bill was more moderate at 2.0%qtr but remains 7.7% higher than a year ago, materially above the annual pace recorded across SMEs and Commercial businesses.

By industry, Large Corporate operating conditions improved in eight of the 15 industries in Q2, unchanged from Q1. Administrative and Support Services was the standout performer, rising 6.5%. Accommodation and Food Services increased 3.9%, contrasting with the flat result recorded by SMEs and suggesting that larger hotel groups and food service chains continue to outperform smaller operators. Education and Training rose 2.0%qtr, while Construction increased 1.3%qtr.

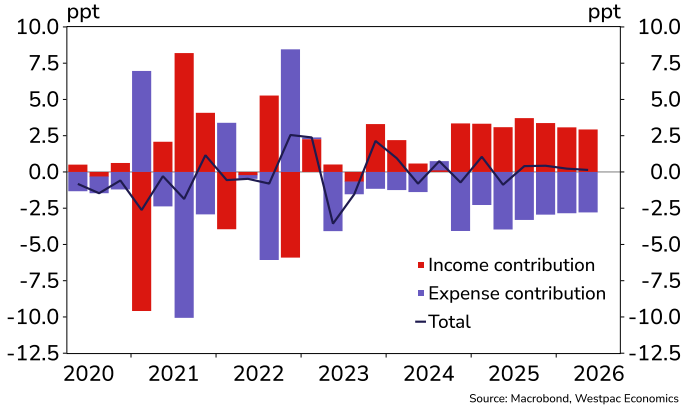
At the weaker end, Retail Trade fell 2.4%qtr, reflecting softer household spending. Agriculture declined 3.1%qtr. Elevated livestock and grain prices supported revenue growth, but this was more than offset by higher input costs, particularly fuel and fertiliser.

Cashflow conditions improved slightly more than operating conditions in Q2, rising 0.3%. Debt-servicing costs increased 0.3% during the quarter but remain 10.9% higher than a year ago following the sharp increases recorded in late 2025 and early 2026.

Further monetary policy tightening is likely to place additional upward pressure on debt-servicing costs. However, Large Corporates are generally better placed to absorb these pressures than SMEs, owing to longer debt tenors, more diversified funding sources and greater financial flexibility.

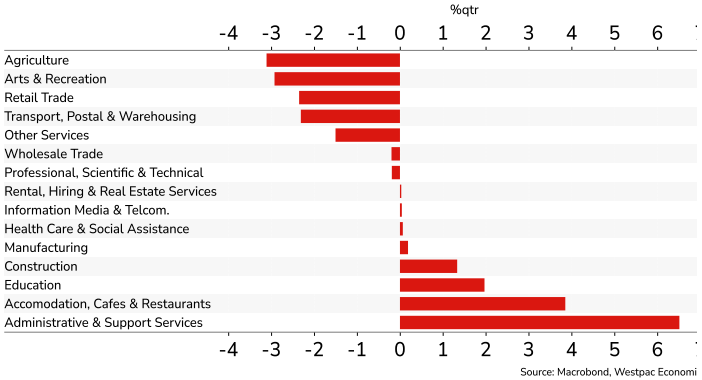
Large Corporates Business Performance Gauge

Excl. debt servicing, contribution to quarterly % change



Source: Macrobond, Westpac Economics

Large Corporates Industry Performance Gauge



Source: Macrobond, Westpac Economi

Large Corporates are those with annual aggregated turnover over $150m

State by State: Consumer headwind, investment support

Business Performance Gauges across the states were mixed in Q2. NSW, TAS and SA recorded modest gains in the quarter. At the other end, the more commodity-exposed states, WA and QLD, both recorded a deterioration, while VIC was little changed.

In SA, the gauge recorded a modest gain, still following a run of strong outcomes that left conditions 6.4% higher than a year ago, well ahead of the other states. Activity continued to be supported by defence-related spending, public sector activity and a strong residential construction cycle. The pipeline of infrastructure work, including the $15.4bn North-South Corridor project, should continue to support activity over the coming year despite higher costs and interest rates.

The steady improvement in NSW cashflow conditions over recent quarters has been supported by resilient household spending through 2025 and strong business investment linked to data centre construction and software spending. That said, the data centre build-out relies heavily on imported equipment, reducing the flow-through to broader business activity. Higher interest rates and a softer housing market are expected to weigh increasingly on household spending and consumer-facing services. A decline in investor lending also points to a housing correction, with Sydney dwelling prices and turnover expected to soften over the coming year. Even so, NSW's substantial data centre and renewable energy pipeline, together with Western Sydney Airport, should continue to support activity across professional services, construction, transport and wholesale trade.

Both mining states took a step back in Q2. WA's cashflow gauge has now declined for four consecutive quarters, with expenses continuing to grow faster than revenues. Weakness was most evident in Retail Trade, Arts & Recreation Services and Agriculture. As Australia's largest wheat producer, WA farmers entered the planting season facing sharply higher diesel and fertiliser costs. Looking beyond the quarter, however, both WA and QLD remain supported by strong investment pipelines. Mining is expected to re-emerge as an important growth driver for WA, while QLD continues to benefit from strong population growth and Olympics-related infrastructure activity.

VIC's flat Q2 result masked a widening gap between strong business investment activity and weak household spending and residential construction. Data centre-related investment continues to support activity, but per capita consumption growth remains weak and the residential construction pipeline remains softer than the national trend. Combined with softer employment growth, this suggests consumer-facing businesses will remain under pressure, while professional services and construction continue to benefit from the investment cycle.

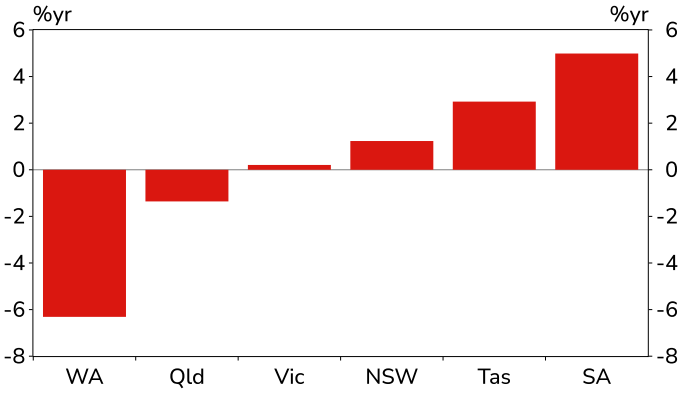
TAS's business performance has been volatile, with growth constrained by weak population growth and subdued labour market conditions. Business investment is showing early signs of stabilisation, particularly in private non-residential building and engineering construction.

Fewer businesses reported improving cashflow conditions in Q2, with below-average readings across all states. Most states also saw the share reporting constrained cashflow rise, led by NSW (+5ppts). VIC and SA were the only states to record a decline, with VIC also the only state below year-ago levels.

Overall, state outcomes reflect the tension between weak consumer demand and strong investment activity. NSW and VIC remain exposed to softer household spending and housing, partly offset by large-scale investment in data centres, renewable energy and related infrastructure. SA continues to be supported by defence, infrastructure and residential construction. WA and QLD stepped back in Q2 but remain underpinned by mining, population growth and major investment pipelines.

Business Performance Gauge by State

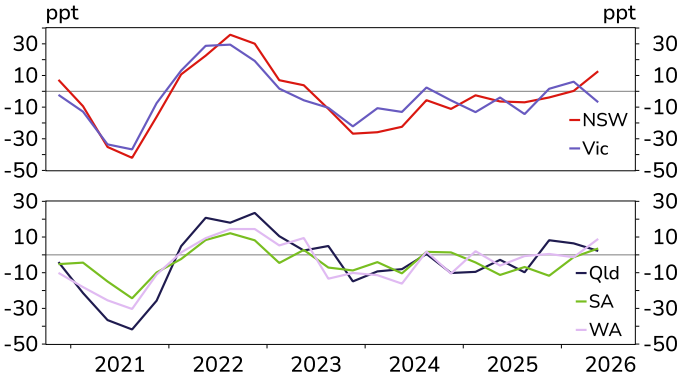
Excl. debt servicing



Source: Macrobond, Westpac Economics

Share of cashflow constrained businesses

Four quarter percetance point change



Source: Macrobond, Westpac Economics

Outlook and risks

Growth to slow sharply...

Business conditions are expected to become increasingly uneven over the next 12–18 months. Investment-related activity, including data centres, defence, infrastructure and residential construction, should continue to support parts of the economy, particularly Construction and Business Services such as Professional Services and ICT. By contrast, Consumer-facing industries are expected to remain under pressure as higher inflation, interest rates and tax payments weigh on household spending.

The Middle East conflict remains a key influence on the economic outlook. As we have previously argued, even with a ceasefire agreement in place, the conflict retains the potential to flare up periodically. That risk has crystallised in recent weeks, with renewed missile attacks and further disruptions to shipping activity. While hostilities should be short-lived, we expect it will still take time to return shipping flows through the Strait and Gulf oil production to pre-conflict levels. Overall, we expect Brent to average US$85/bbl in Q4, before easing to around US$68/bbl by end-2027. This will see fuel, fertiliser and plastics prices remaining elevated, and continuing to place upward pressure on business costs.

Against this backdrop, Trimmed Mean inflation is expected to average around 3.6% over H2, well above the RBA's 2–3% target band. With the RBA remaining on the hawkish side, we expect additional tightening in August and September, taking the cash rate to 4.85%.

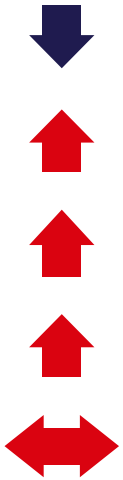
The cumulative tightening in financial conditions is expected to weigh increasingly on economic activity through the second half of 2026 and into 2027. We expect annual GDP growth to slow to around 0.7%yr by year-end before gradually recovering through 2027. The weakness is expected to be concentrated in household demand, with higher inflation, mortgage repayments and tax payments continuing to squeeze real household incomes.

Meanwhile, higher interest rates and the Federal Government's housing tax changes are likely to weigh on housing turnover, dwelling prices and housing-related activity, including real estate, legal services, mortgage broking, furniture and household goods, particularly in NSW and VIC. However, the broader growth impact is likely to be limited, with residential construction continuing to be supported by a large pipeline of work, housing programs and a shift in investor demand towards newly built dwellings.

...risks remain two sided

The outlook remains highly dependent on developments in energy markets and, in particular, the pace at which conditions in the Strait of Hormuz normalise, as captured in the two scenarios we published in June.

Key 2026 (yr end) economic fcs



0.7% GDP

4.9% Unemployment rate

4.85% Cash rate (end-year)

3.6% Trimmed mean CPI

3.4% Wage growth

In a more benign scenario, shipping flows recover quickly and Brent falls towards US$60/bbl by end-2027. Inflation would be lower, input cost pressures would ease and business conditions would improve. However, elevated interest rates mean any recovery in household spending is likely to be gradual.

In the adverse scenario, the absence of a durable resolution between the US and Iran sees shipping disruptions persist into 2027 and Gulf oil production take longer to return to pre-conflict levels. At the same time, the buffer from stronger non-OPEC supply and weaker demand fades. With inventories already low, Brent rises above the peak recorded earlier this year and remains around US$148/bbl by end-2026, around US$60 above our baseline.

Under this scenario, inflation would move materially higher and the RBA would face a difficult trade-off between inflation and growth. Household spending would weaken further and businesses would defer investment. Transport, Agriculture, Manufacturing and other energy-intensive industries would face the largest impact.

Appendix 1: Major indicators by industry, annual % change

	Income				Expenses				Income to Expense Ratio			
	Current quarter	2025	2024	2023	Current quarter	2025	2024	2023	Current quarter	2025	2024	2023
By Industry												
Accommodation, Cafes & Restaurants	–2.9	–1.0	–7.7	4.5	–4.6	–3.0	–6.8	7.6	1.8	2.1	–1.0	–2.9
Agriculture	8.5	1.4	–1.6	2.5	7.2	–0.1	–1.4	0.0	1.2	1.5	–0.1	2.5
Business Services	–3.0	–3.6	–4.7	5.0	–1.9	–3.2	–4.8	1.0	–1.1	–0.4	0.1	3.9
Recreation Services	–3.9	–2.3	–4.3	3.8	–4.8	–3.5	–5.7	–5.2	0.9	1.3	1.4	9.6
Education	4.1	2.5	3.1	13.0	2.2	1.3	2.7	14.2	1.8	1.2	0.4	–1.1
Healthcare	0.3	–0.1	–2.5	7.6	–1.0	–2.7	–3.1	5.8	1.3	2.6	0.6	1.7
Manufacturing	–2.5	–3.7	–3.5	3.1	–3.1	–4.6	–3.9	1.6	0.5	0.9	0.4	1.5
Personal Services	–8.9	–3.5	1.6	5.5	–11.5	–4.5	–2.1	6.9	3.0	1.1	3.8	–1.3
Retail Trade	–4.5	–5.0	–5.4	–0.7	–4.1	–5.0	–7.0	–1.8	–0.4	0.0	1.7	1.1
Transport & Storage	–6.4	–4.4	–3.4	4.7	–7.3	–4.0	–3.5	3.1	1.0	–0.5	0.1	1.5
Wholesale Trade	–3.8	–4.9	–8.2	–4.9	–3.9	–5.2	–9.6	–6.7	0.1	0.3	1.6	1.9
Construction	–0.6	–2.9	–3.4	7.6	–0.9	–3.4	–5.7	5.6	0.3	0.5	2.4	1.9
Property & Property Services	–5.5	–4.6	–6.5	0.8	–7.9	–5.6	–7.0	1.3	2.6	1.1	0.6	–0.4
By State												
NSW/ACT	–3.6	–3.6	–4.8	3.0	–4.4	–4.7	–5.5	0.4	0.8	1.2	0.7	2.6
VIC/TAS	–2.4	–3.8	–5.7	2.7	–2.6	–5.6	–5.8	0.4	0.2	1.9	0.1	2.3
QLD	1.1	–1.1	–4.0	3.5	–1.4	–2.5	–5.1	4.4	2.5	1.4	1.1	–0.8
SA/NT	–0.9	–1.8	–4.2	4.3	–3.6	–3.3	–4.4	3.8	2.8	1.6	0.3	0.5
WA	1.1	–2.5	0.5	–0.2	–0.2	–1.5	–3.0	–0.8	1.3	–1.0	3.6	0.6

Appendix 2: Australian economic forecasts

Activity forecasts*

	2026				2027				Calendar years			
%qtr / %yr end	**Q1**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**Q1(f)**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**2025**	**2026f**	**2027f**	**2028f**
Household consumption	0.5	0.0	0.2	0.4	0.4	0.5	0.5	0.6	2.5	1.1	2.0	3.3
Dwelling investment	0.7	1.3	1.0	0.9	0.8	0.8	0.9	0.7	5.1	4.0	3.2	5.5
Business investment *	5.7	0.3	3.8	1.5	3.7	1.1	1.3	1.1	4.5	11.7	7.3	4.5
Private demand *	1.3	0.1	0.6	0.6	1.1	0.6	0.7	0.7	3.2	2.7	3.1	3.7
Public demand *	0.1	0.8	0.6	0.6	0.6	0.6	0.6	0.6	2.1	2.1	2.4	2.6
Domestic demand	1.0	0.3	0.6	0.6	0.9	0.6	0.7	0.6	2.9	2.5	2.9	3.4
Stock contribution	0.0	–0.1	–0.1	0.0	0.0	–0.1	0.0	0.0	0.1	–0.2	–0.1	0.1
GNE	0.9	0.2	0.5	0.6	0.9	0.6	0.6	0.7	3.0	2.3	2.8	3.4
Exports	–1.1	0.7	0.4	0.4	0.6	0.7	0.6	0.6	5.2	0.4	2.5	2.4
Imports	2.1	1.2	2.2	1.9	2.6	1.7	1.6	1.5	6.7	7.6	7.6	5.5
Net exports contribution	–0.8	–0.1	–0.4	–0.4	–0.5	–0.3	–0.3	–0.2	–0.3	–1.7	–1.3	–0.9
Real GDP %qtr / %yr avg	**0.3**	**0.0**	**0.1**	**0.3**	**0.4**	**0.4**	**0.4**	**0.4**	**2.0**	**1.5**	**1.3**	**2.2**
%yr end	**2.5**	**1.6**	**1.3**	**0.7**	**0.9**	**1.2**	**1.4**	**1.5**	**2.5**	**0.7**	**1.5**	**2.6**
Nominal GDP %qtr / %yr avg	0.6	0.2	1.3	0.6	0.5	0.7	1.0	0.8	4.7	4.2	2.8	4.5
%yr end	5.3	4.7	4.1	2.7	2.6	3.0	2.8	3.0	6.1	2.7	3.0	5.1
Real household disp. income	–0.2	–0.2	1.3	–2.0	0.3	0.9	1.6	–0.4	3.8	–1.1	2.5	3.3

Other macroeconomic variables

	2026				2027				Calendar years			
% change	**Q1**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**Q1(f)**	**Q2(f)**	**Q3(f)**	**Q4(f)**	**2025**	**2026f**	**2027f**	**2028f**
Employment %qtr **	0.6	0.1	0.5	0.3	0.4	0.5	0.5	0.4	–	–	–	–
%yr end **	1.5	1.0	1.3	1.4	1.2	1.6	1.7	1.8	1.1	1.4	1.8	2.3
Unemployment rate % **	4.2	4.4	4.6	4.9	5.0	4.9	4.9	4.9	4.3	4.9	4.9	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	1.0	0.8	0.8	0.8	0.8	0.8	–	–	–	–
%yr end	3.3	3.2	3.4	3.4	3.4	3.4	3.2	3.2	3.4	3.4	3.2	3.4
Headline CPI %qtr	1.4	0.7	1.3	1.0	0.7	0.6	0.9	0.5	–	–	–	–
%yr end	4.1	4.0	4.0	4.4	3.8	3.7	3.3	2.8	3.6	4.4	2.8	2.6
Trimmed Mean CPI %qtr	0.8	0.9	1.0	0.8	0.8	0.7	0.7	0.7	–	–	–	–
%yr end	3.5	3.7	3.7	3.6	3.5	3.3	3.0	2.8	3.4	3.6	2.8	2.4
Current account $bn, qtr	–27.1	–30.9	–29.2	–35.2	–40.0	–42.8	–44.7	–44.7	–	–	–	–
% of GDP	–3.7	–4.2	–3.9	–4.7	–5.3	–5.6	–5.8	–5.8	–3.1	–4.7	–5.8	–5.4
Terms of trade %yr avg	–1.2	–0.6	–0.5	–0.6	–2.1	–3.2	–5.0	–5.7	–2.5	–0.6	–5.7	–1.2
Population %yr end	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.5	1.5	1.4	1.4

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Calendar year changes are annual through–the–year percentage changes unless otherwise specified.
* Business investment, private and public demand are adjusted to exclude the effect of private sector purchases of public sector assets. ** Quarter–averages.

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The quarterly business snapshot uses aggregated and de–identified data from our SME and Commercial business bank customers. Westpac Institutional Bank customers are not included in the scope of this report. This data provides a timely read on aggregate business conditions and the economic trends impacting small and medium businesses (including SME and Commercial businesses), providing our clients with insights to help them grow and prosper.

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SME businesses are those with annual turnover of less than $5m. Commercial businesses are those with annual turnover between $5m and $50m.

Individual series are seasonally adjusted. All data is presented using rolling three month moving averages to smooth volatility related to the flows of income, expenses, debt-servicing costs and financial stocks. Given the limited length of the time series available and volatile economic landscape over the past few years, seasonal factors are subject to change – however, different robustness methods are used to help ensure that any changes going forward are small.

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