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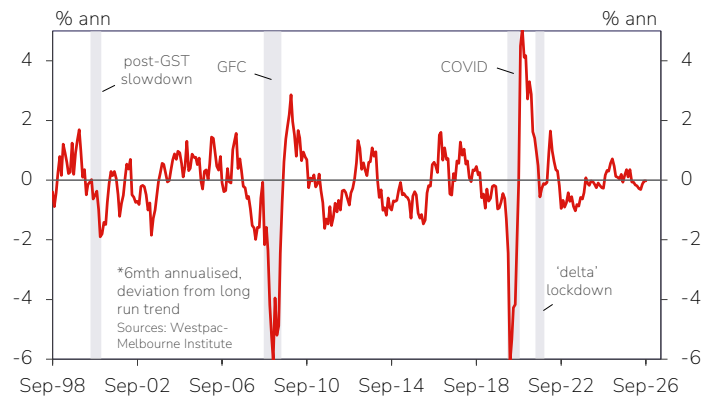
WESTPAC-MI LEADING INDEX BULLETIN

Latest insights into economic momentum

Key points

- Index growth rate holds at -0.03% in September, unchanged from August.
- Momentum is a touch below trend heading into late 2026/early 2027.
- Mixed detail suggests the economy lacking a clear direction.

Westpac-MI Leading Index



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Leading Index still tracking a touch below trend



Matthew Hassan
Head of Australian Macro-Forecasting

The six-month annualised growth rate in the Westpac-Melbourne Institute Leading Index, which indicates the likely pace of economic activity relative to trend three to nine months into the future, held at -0.03% in September, unchanged from August.

The Leading Index continues to show moderately improved momentum compared to the middle of the year, with the latest reads pointing to growth holding at or slightly below trend heading into late 2026/early 2027. Growth appears to be stabilising at a slow pace rather than stalling. That said, both the latest fuel prices and the RBA's September interest rate increase are still working their way through to the economy with impacts likely to take some of the gloss off growth near term. Overall, Westpac expects annual growth to come in at 1.5% for calendar 2026, a below-trend result.

The Leading Index growth rate has firmed slightly over the last six months, rising from -0.16% back in March to -0.03% in September. The component detail shows mixed moves over the period. Four components have contributed more positively with reduced drags from the Westpac-Melbourne Institute Unemployment Expectations Index (adding $+0.23$ ppts to the Index growth rate); the Westpac-Melbourne Institute Consumer Expectations Index (adding another $+0.15$ ppts); and the S&P/ASX200 ($+0.15$ ppts) combining with a modest lift in growth in US industrial production (adding $+0.12$ ppts). These positives have been partially offset by modest drags from four previously stable components: dwelling approvals (-0.34 ppts); monthly hours worked (-0.08 ppts); commodity prices, measured in AUD terms (-0.07 ppts) and the yield spread (-0.05 ppts).

Overall, the component mix speaks to a lack of direction. Indeed, despite some large shocks over the last year, the Leading Index growth rate has been relatively contained since early 2025, holding in a narrow -0.3% to $+0.5\%$ range. This compares to history which, outside of the COVID and GFC shocks, has seen growth rates move between a much wider -1.9% to $+1.6\%$ range. Of course, the apparent stability, which is evident across all components of the index, may not last but for now it suggests the economy has been stuck in a bit of a holding pattern over the last two years.

The Westpac-Melbourne Institute Leading Index of Economic Activity is designed to assist in identifying turning points in the economy. The index combines variables that reflect different aspects of the economy into a single index that generally produces a more reliable cyclical indicator than any single component taken individually. The Leading Index of Economic Activity provides advance information on the state of the economy and gives early warnings of cyclical turning points.

*****Please note that this will be the last Westpac press release for the monthly Westpac-Melbourne Institute Leading Index. We will continue to publish regular bulletin updates through our [westpaciq.com.au](https://www.westpac.com.au) website.***



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