

2026 Economic and Market Outlook



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19th March 2026

Hervey Bay

Themes for 2026

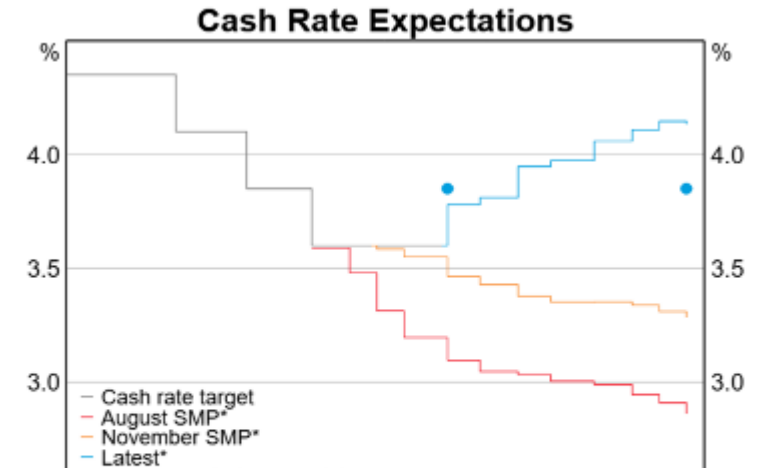
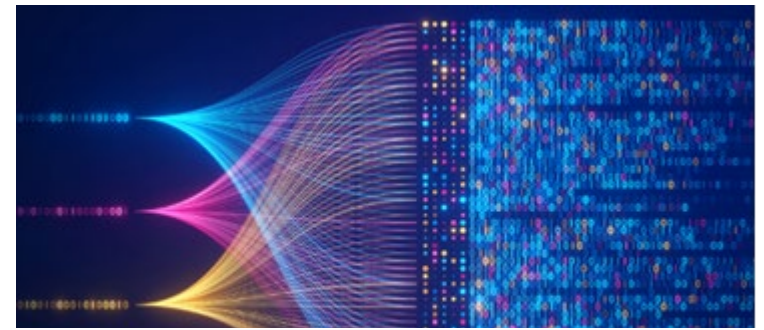
The AI economy – an investment boom quickly transitioning to a productivity and growth boom

The RBA back fighting inflation – with the Middle East conflict adding to risks... so rates a little higher into '27

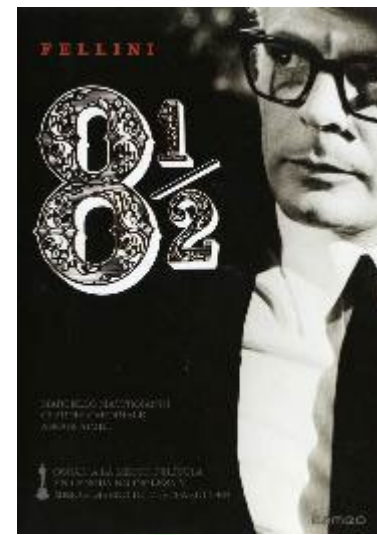
Australia to continue to outperform - still very uneven regionally- but **Australia most sheltered** from global turbulence

Robbo's 'rules of thumb' - fourteen financial maxims, rules and hypotheses:

#1 “ Forecasting is mainly about assigning probabilities- don't ask 'will xyz happen or not'... ask ' what is its probability of happening ' ”



10 predictions for 2025 **HOW DID WE GO?**



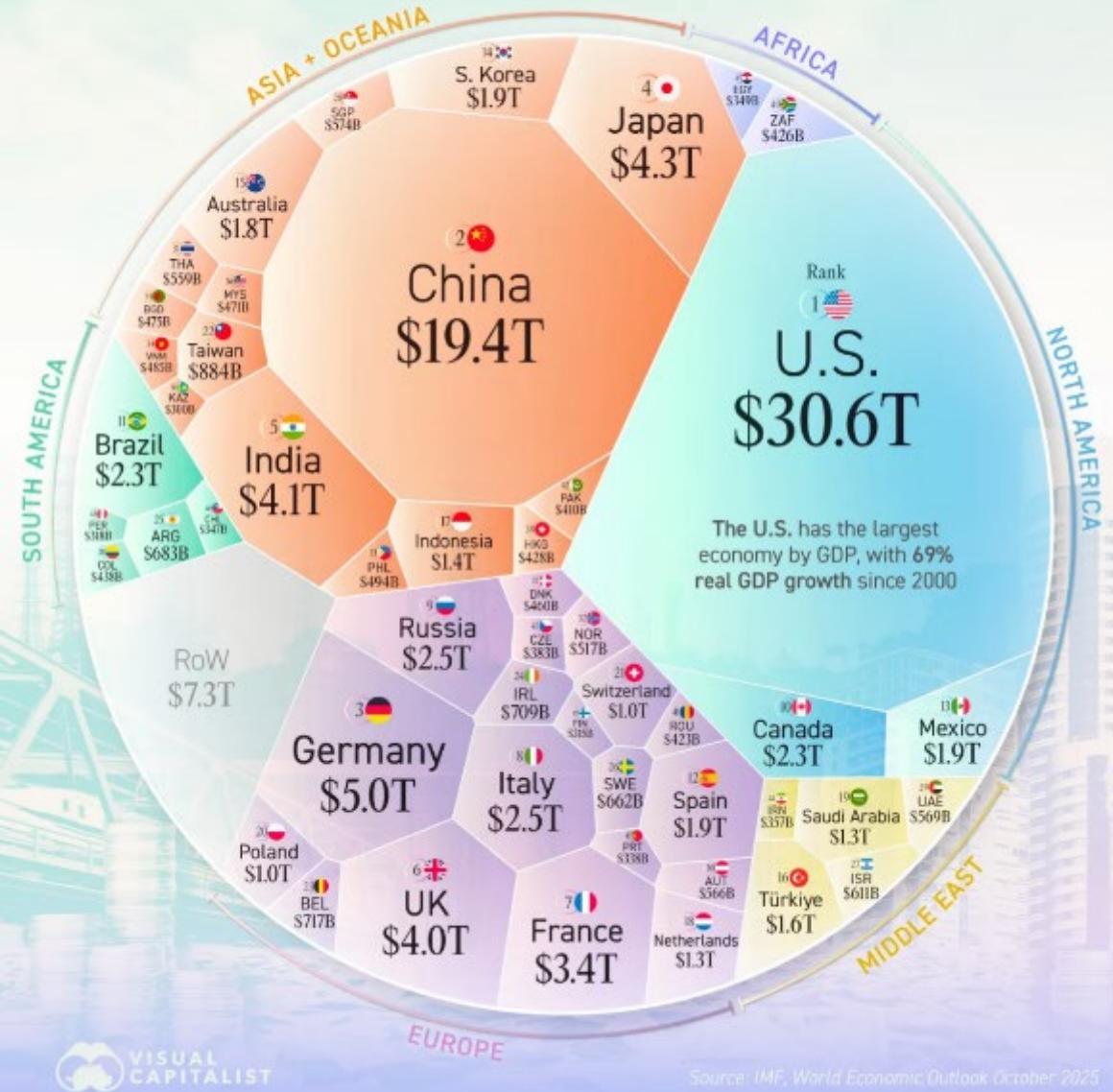
1. **More rate cuts in Europe and Canada** taking official rates to near **2 %**
2. Rate cuts also in **US, UK and New Zealand** but only down to around **4 %**
3. More policy support in **Chinese achieving 4 % + growth** despite trade wars
4. Financial markets to become **even more volatile for FX, bonds and stocks**
5. **US tariffs** will end the period of 'US exceptionalism' and risk **stagflation in H2** of '25
6. **RBA to cut rates 3-4 times** : a shallow easing cycle to around **3 ½ %**
7. **Core inflation** to fall to below 3% in **Q1 '25** (released April 30th)
8. **Unemployment** to trend higher... **> 4.5 %** (above RBA forecasts)
9. Australia **less impacted by tariffs**, AAA rating to guard us from global sovereign debt fears
10. Gains in **house prices nationally** much more modest (**less than 3 %**) with WA, QLD and SA gains offsetting small falls in Victoria and NSW



Fourteen financial maxims: **#2** ' Predictions are made for a moment in time- survival in the markets is being most adaptive to change '

(Or the Keynes equivalent: *When the facts change, I change my mind...*)

The \$117T Global Economy by GDP



World Economic Outlook Growth Projections

(Real GDP, annual percent change)	ESTIMATE		
	2025	2026	2027
World Output	3.3	3.3	3.2
Advanced Economies	1.7	1.8	1.7
United States	2.1	2.4	2.0
Euro Area	1.4	1.3	1.4
Germany	0.2	1.1	1.5
France	0.8	1.0	1.2
Italy	0.5	0.7	0.7
Spain	2.9	2.3	1.9
Japan	1.1	0.7	0.6
United Kingdom	1.4	1.3	1.5
Canada	1.6	1.6	1.9
Other Advanced Economies	1.8	2.0	2.1
Emerging Market and Developing Economies	4.4	4.2	4.1
Emerging and Developing Asia	5.4	5.0	4.8
China	5.0	4.5	4.0
India	7.3	6.4	6.4
Emerging and Developing Europe	2.0	2.3	2.4
Russia	0.6	0.8	1.0
Latin America and the Caribbean	2.4	2.2	2.7
Brazil	2.5	1.6	2.3
Mexico	0.6	1.5	2.1
Middle East and Central Asia	3.7	3.9	4.0
Saudi Arabia	4.3	4.5	3.6

Source: IMF, World Economic Outlook Update, January 2026

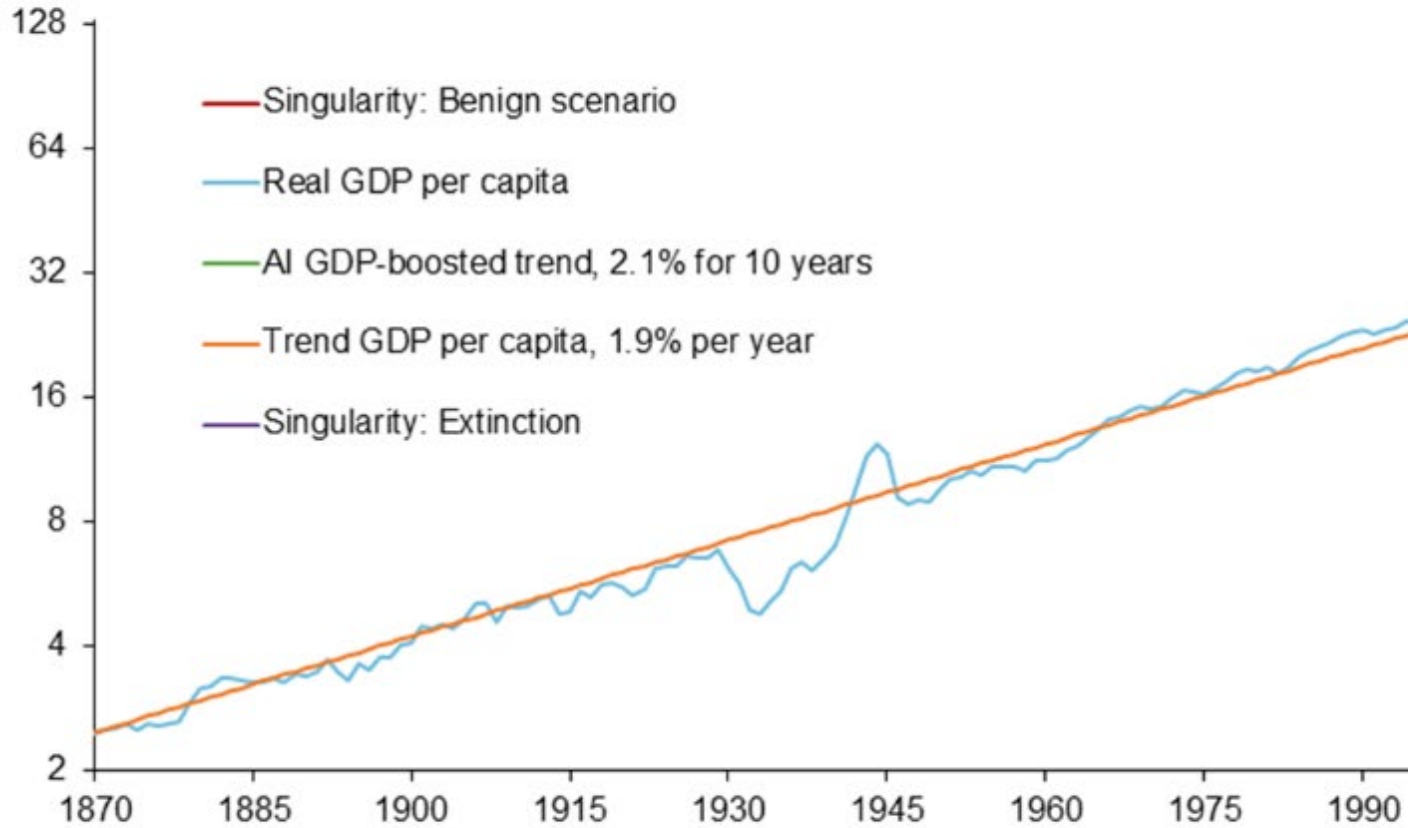


Fourteen financial maxims: #3 'Sustainable economic growth and wealth comes from the private sector competing and innovating (meanwhile, it is most fairly distributed by sensible regulation and oversight)'

The US clearly the largest economy in the world- AI to maintain that dominance

AI scenarios

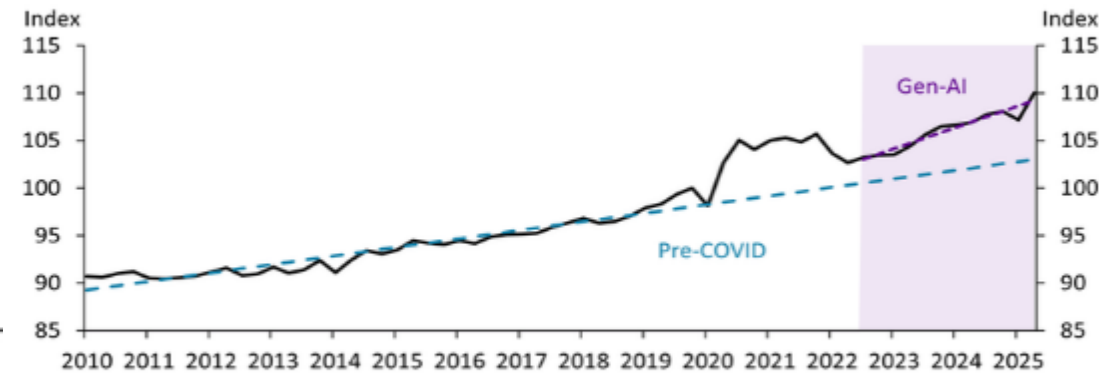
1990 dollars (thousands), log scale



NOTES: The blue line is real gross domestic product (GDP) per capita in 1990 dollars. The orange line is with a trend growth rate of 1.9 percent per year. The red, green and purple lines are hypothetical paths for scenarios.

SOURCES: Bureau of Economic Analysis; Haver Analytics; Macrohistory.net; United Nations; authors' calculations.

Chart 1: Labor productivity has moved farther above its pre-pandemic trend since late 2022



Notes: The solid line shows output per hour in the private nonfarm business sector, indexed to 2019:Q4 = 100. Trends are fitted over 2010:Q1–2019:Q4 (pre-pandemic) and 2022:Q3–2025:Q2 (gen-AI).

Sources: Federal Reserve Bank of Chicago and authors' calculations.

Federal Reserve Bank of Dallas



Fourteen financial maxims: #4 ' The three pillars to investing are: *Research* (know what you investing in) *Diversification* (put your eggs in a range of baskets) and *Time* (leverage compound interest) '

Global fracturing and geopolitical ambiguity- but stocks are backing AI as the catch-all solution

Share Price Accumulation Indices

Log scale, end December 1994 = 100



Sources: Bloomberg; RBA.

Event	Start date*	Trading days to trough	% change to trough	Trading days back to even
N. Korea invades S. Korea	June 25, 1950	15	-12.9%	56
U.S. spy plane shot down in USSR	May 7, 1960	2	-0.6%	4
Bay of Pigs invasion	April 15, 1961	6	-3.0%	14
Cuban Missile Crisis	Oct. 16, 1962	6	-6.3%	13
Gulf of Tonkin Incident (Vietnam)	Aug. 2, 1964	4	-2.2%	29
Lead-up to Six-Day War (June 6)	May 14, 1967	15	-5.6%	20
Tet Offensive (Vietnam)	Jan. 29, 1968	25	-6.0%	46
Cambodian Campaign (Vietnam)	May 1, 1970	18	-14.9%	86
Yom Kippur War, Arab oil embargo	Oct. 6, 1973	42	-16.1%	6 years**
Soviet-Afghan War	Dec. 24, 1979	7	-2.3%	10
Intervention in Grenada	Oct. 25, 1983	11	-2.8%	15
Lead-up to intervention in Panama	Dec. 15, 1989	2	-2.2%	8
Iraq invades Kuwait, oilfields seized	Aug. 2, 1990	50	-15.9%	131
Lead-up to Gulf War (Desert Storm)	Jan. 1, 1991	6	-5.7%	13
Intervention in Yugoslavia (Balkans)	March 24, 1999	3	-4.1%	11
U.S. spy plane captured in China	April 1, 2001	3	-4.9%	7
War in Afghanistan	Oct. 7, 2001	1	-0.8%	3
Lead-up to Iraq War	Feb. 5, 2003	24	-5.6%	28
Russia intervention in Ukraine	Feb. 11, 2022*	17	-7.4%	27
12-Day War (Israel/U.S. and Iran)	June 12, 2025	5	-1.3%	7
Average of all 20 events	—	13	-6.0%	28

Red circled data indicate events impacted by crude oil price spikes.

* Dates attempt to capture any material pre-event impact; actual starting dates may differ.

** Following the Arab oil embargo, other economic and monetary factors negatively influenced the number of days to get back to even; this event is not counted in the average.

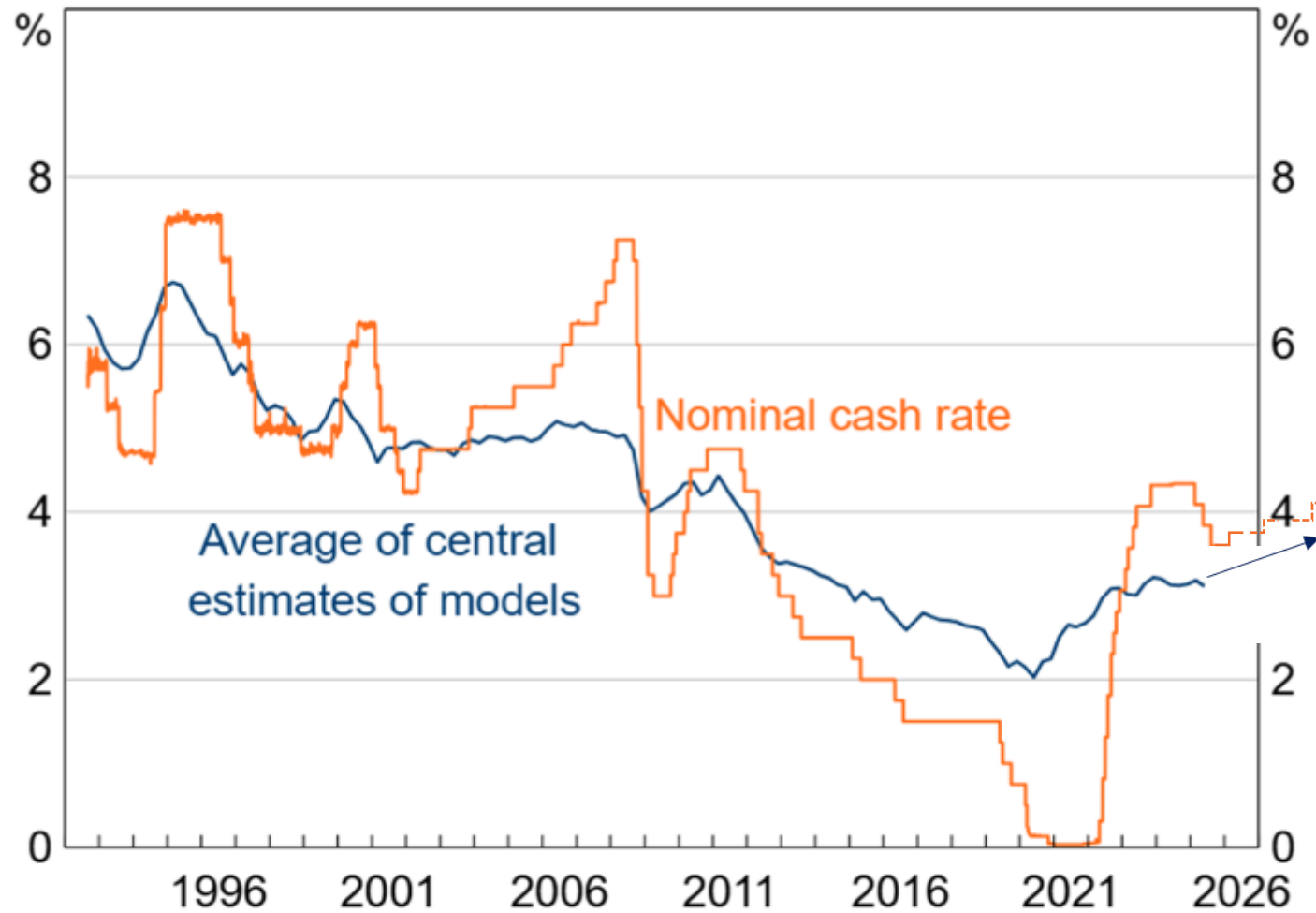
Source – RBC Wealth Management, RBC Global Asset Management, National Security Archive at George Washington University, Wikipedia, U.S. Naval Institute



Fourteen financial maxims: #5 The rule of 72: If you are earning an investment return of $x\%$, your money will double in $(72 / x)$ years (e.g. an 8% return will double your money in 9 years)

RBA already hiking- two more in 2026? Then higher for healthier reasons

Nominal Neutral Rate*



* Nominal neutral rates are defined using trend inflation expectations. Dashed lines show cash rate expectations implied by OIS as at 13 October 2025.

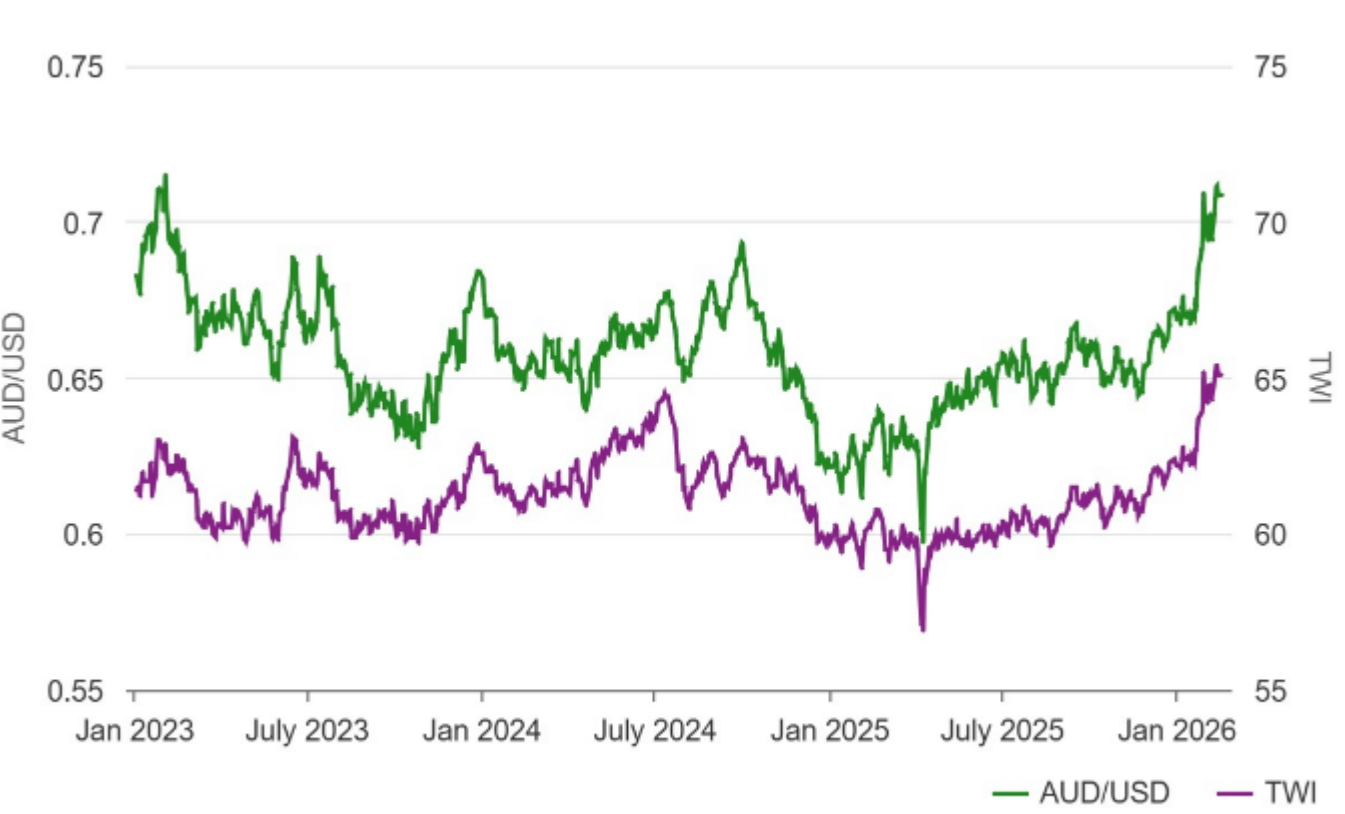
Sources: LSEG; RBA.

Explanations for Potential R* Increase

Reason	Explanation
1. Sustained Productivity Boom	When an economy becomes more productive, it can generate more output from the same amount of input. This boosts expectations for future growth and profitability, encouraging businesses to invest more. The increased demand for capital to fund this investment pushes up the equilibrium interest rate, or R*.
2. Increased Investment Demand	Large-scale, economy-wide investment programs, such as transitioning to green energy, strengthening national defense, or building out AI infrastructure, create significant new demand for borrowed funds. This increased competition for a finite supply of capital naturally drives up its price, which is the interest rate (R*).
3. Persistent Fiscal Deficits	When governments consistently spend more than they collect in taxes, they must borrow to cover the difference by issuing bonds. This government borrowing competes directly with the private sector for the same pool of global savings. This increased demand for savings pushes up the cost of borrowing for everyone, raising R*.
4. Decline in the Global Savings Glut	For decades, high savings rates in large emerging economies (like China) created a large supply of capital that flowed around the world, keeping interest rates low. If these countries begin to save less and consume more, this global "glut" of savings will shrink. A smaller supply of available capital means borrowing becomes more expensive, thus increasing R*.
5. Changing Demographics	A key demographic shift in many advanced economies is a shrinking workforce relative to a growing number of retirees (a rising dependency ratio). Typically, people in the workforce are net savers, while retirees draw down their savings. A smaller proportion of savers can lead to a reduction in the overall national savings pool, increasing the cost of capital and thereby raising R*.

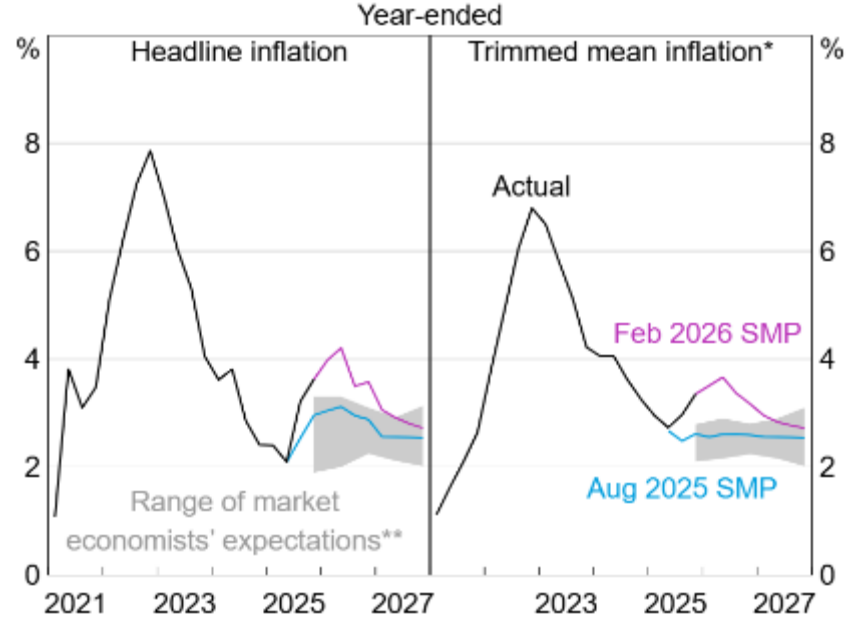
Inflation is persistent (and will be get more difficult to contain) but not forever

AUD/USD Exchange Rates and TWI



Sources: WM/Reuters; RBA

Inflation Forecasts



Economic driver	Medium term (27-29)	Long term (2030s)
Artificial Intel.	Inflationary	Disinflationary
TTNZ	Inflationary	Disinflationary
Deglobalisation	Inflationary	-
Gov't reform	Inflationary	-
Public debt	Inflationary	-

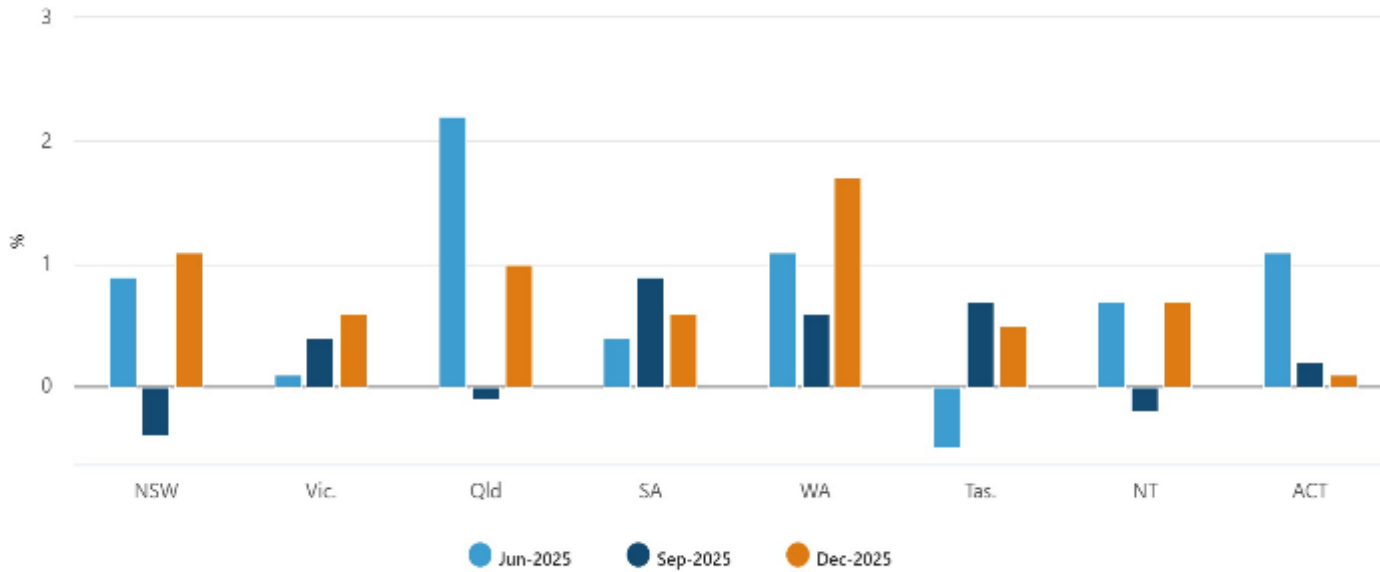
Fourteen financial maxims: #7 ' Inflation is the most damaging affliction an economy can suffer from- central banks are right to prioritise it. (The recent cost-of-living crunch was an inflation crunch: nothing more, nothing less) '



Businesses will benefit from rising household spending, tech investment

Household spending

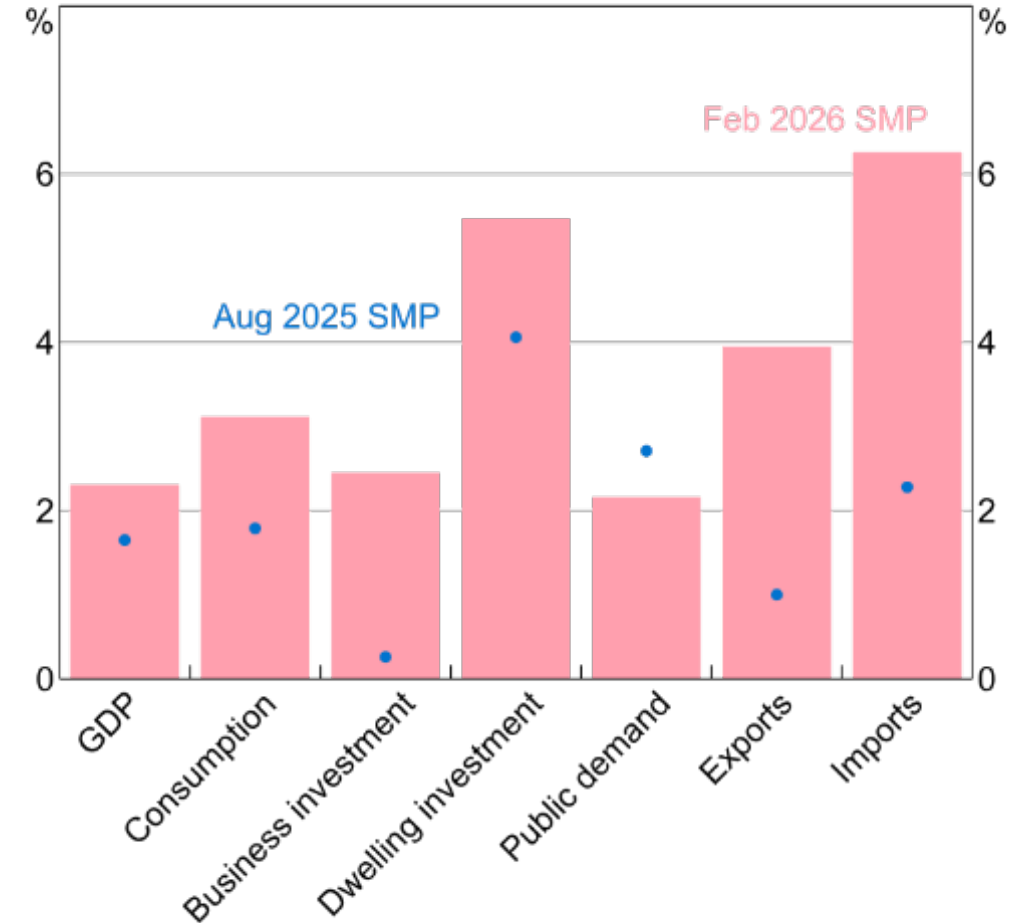
State and territory household spending, percentage change from previous quarter, chain volume measures, seasonally adjusted terms



Source: Australian Bureau of Statistics, Monthly Household Spending Indicator December 2025

Australian GDP Growth Forecasts

Year-ended, December quarter 2025



Sources: ABS; RBA.

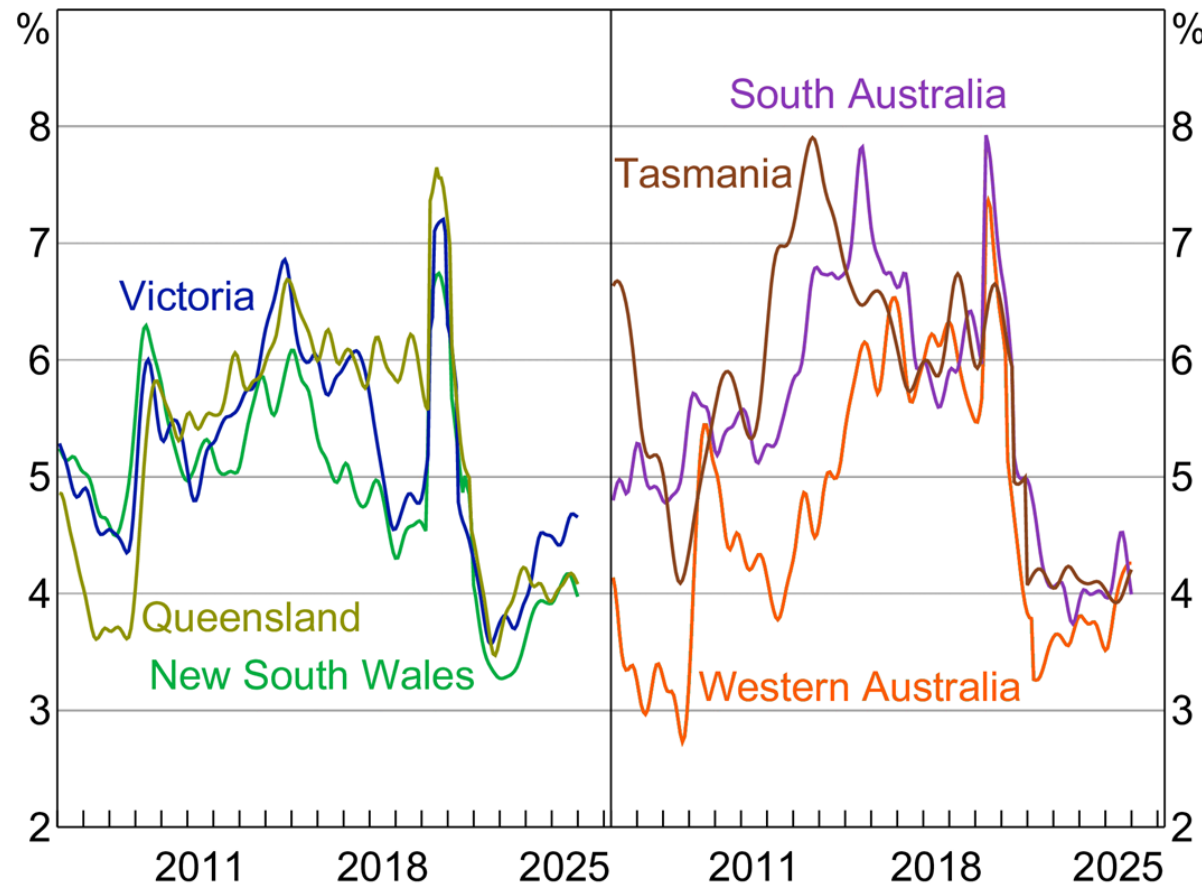
Fourteen financial maxims: #8 ' GDP growth is a useful tool for measuring economic performance, but the best measure of economic success is **social progress** '

socialprogress.org

Labour markets: uneven with challenges ahead, but resilient in 2026 (pre-AI)

State Unemployment Rates

Trend



Source: ABS.



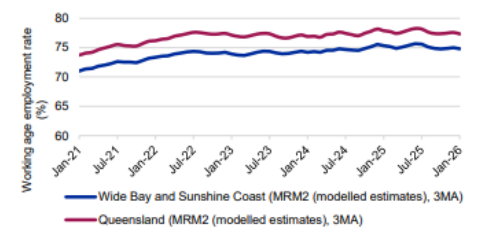
Wide Bay and Sunshine Coast
Employment Region
Queensland

Labour Market Dashboard

	Working age employment rate*		Unemployment			Unemployment rate		Working age participation rate*	
	Jan-26 (%)	Jan-25 (%)	Jan-26 ('000)	Jan-25 ('000)	Change (%)	Jan-26 (%)	Jan-25 (%)	Jan-26 (%)	Jan-25 (%)
Wide Bay and Sunshine Coast	74.8	75.3	15.6	14.7	6.6	4.1	3.9	78.0	78.5
Queensland	77.3	77.9	135.9	121.5	11.9	4.3	3.9	80.7	81.1
Australia	77.2	77.5	624.7	625.1	-0.1	4.1	4.1	80.5	80.9

Source: ABS, Labour Force Survey, Detailed, seasonally adjusted data & MRM2 (modelled estimates), 3MA (month average) of estimates, January 2026, with the exception of youth unemployment rate which uses MRM2 12MA and seasonal

Working age employment rate (%)



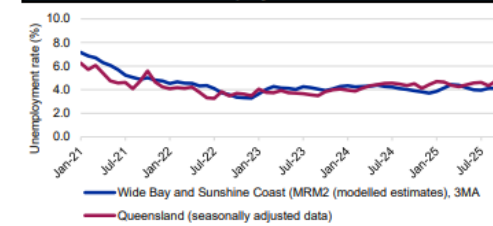
Source: ABS, Labour Force Survey, MRM2 (modelled estimates), 3MA, January 2026

Largest employing industries



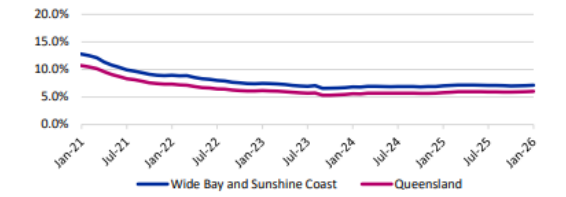
Source: ABS, Labour Force Survey, Detailed, four quarter averages, November-25 quarter*

Unemployment rate



Source: ABS, Labour Force Survey, seasonally adjusted data & MRM2 (3MA), January 2026

Job seeker income support payments*



Change in job seeker income support payments

	Wide Bay and Sunshine Coast	Queensland
Payments - January 2025	31,775	209,905
Payments - January 2026	33,085	222,665
Change from January 2025 to January 2026	↑ 1,310	↑ 12,760
	↑ 4.1%	↑ 6.1%

% of 15-64 year olds** on job seeker income support payments

	total persons on job seeker income support	% of 15-64 year olds on job seeker income support
Wide Bay and Sunshine Coast	33,085	7.2%
Queensland	222,665	6.0%
Australia	1,018,495	5.7%

Source: Department of Social Services, JobSeeker and Youth Allowance (other) payment recipients, January 2026; ABS, Labour Force Survey, MRM2, 3MA, January 2026

LGAs with highest unemployment rates (%)

Local Government Area (LGA)	Sep-25	Sep-24
Cherbourg*	8.6	7.9
South Burnett	6.4	6.0
Fraser Coast	5.7	5.2
Gympie	4.9	4.4
Bundaberg	4.7	4.5

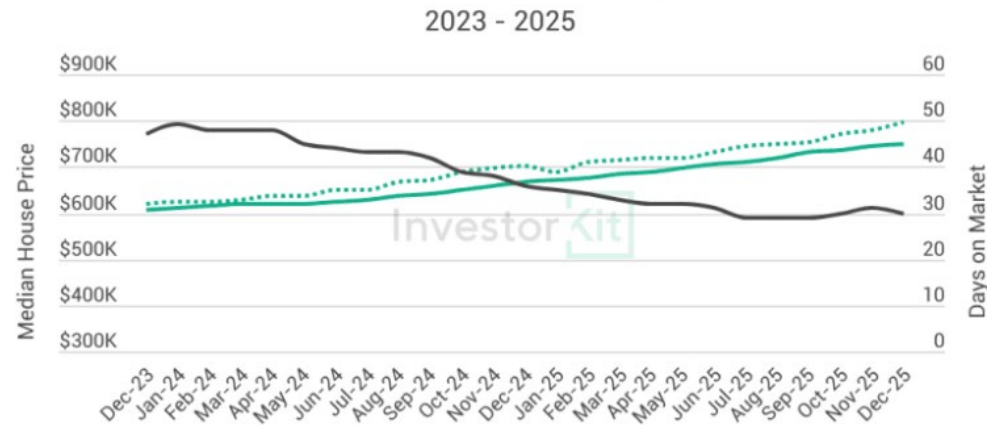
Note: * data should be used with caution due to the small size of the labour force. For more insights, access SALM data via DEWR Source: Department of Employment and Workplace Relations Small Area Labour Markets, smoothed data, June -25 quarter



Fourteen financial maxims: #9 'The best time to buy a good asset is usually yesterday'

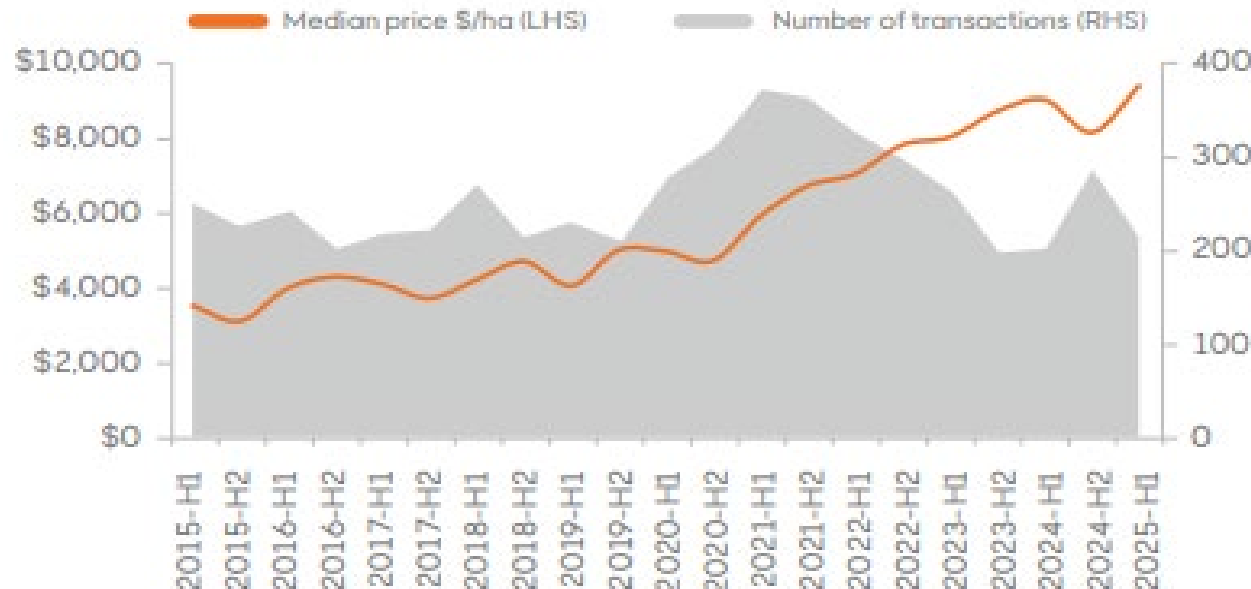
Property values: also uneven, but more balanced ahead

Hervey Bay- Median Price & Sale Days on Market



— 12M Rolling Median Price 3M Rolling Median Price — Sale Days on Market

Southern Coastal – Historic performance



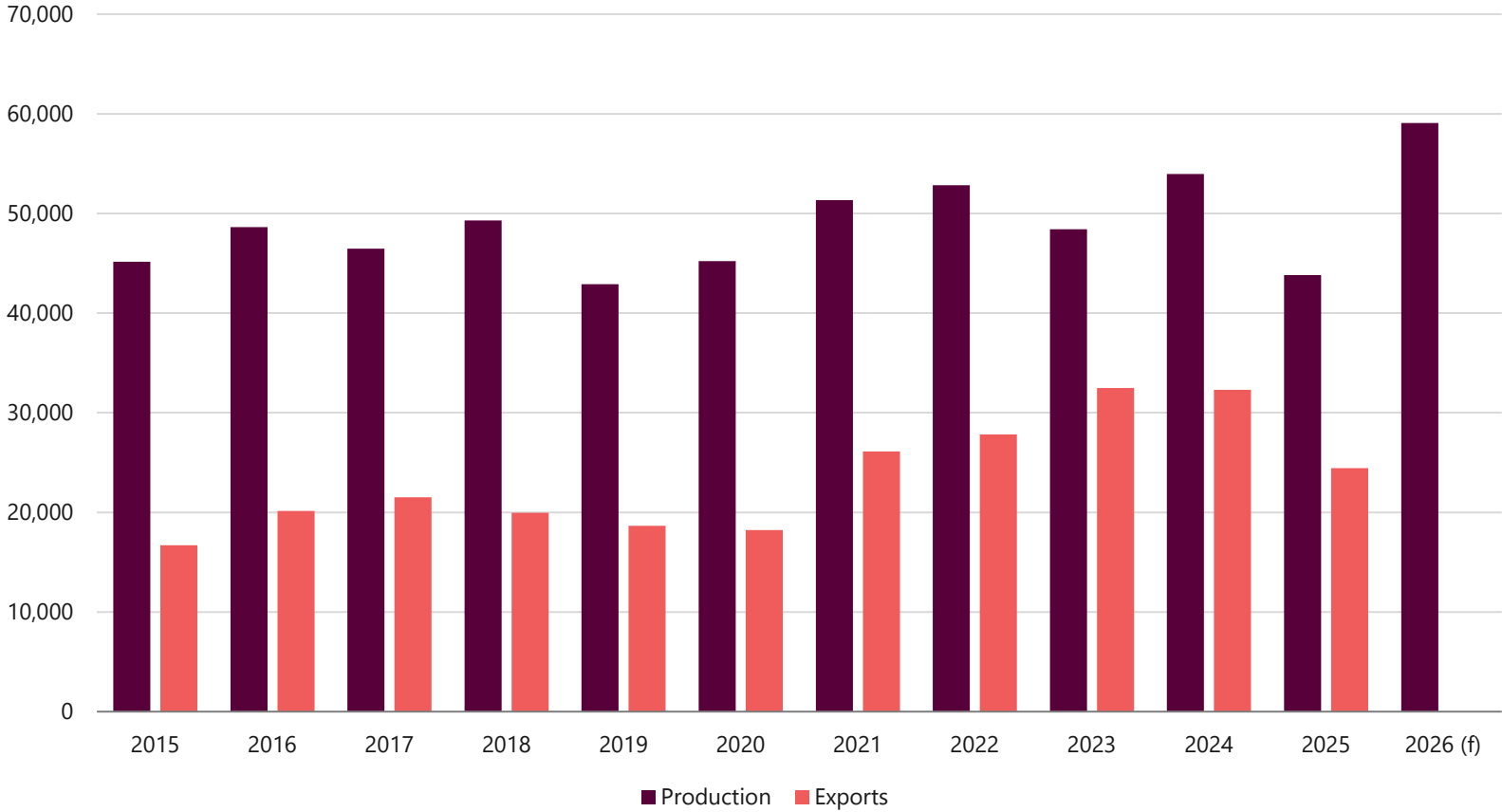
Australian Farmland Values 2025 mid-year update

	Median dwelling value	2025 change
Sydney	\$1.28 m	5.8 %
Brisbane	\$1.04 m	14.5 %
Perth	\$0.94 m	15.9 %
Adelaide	\$0.90 m	8.8 %
Canberra	\$0.89 m	4.9 %
Melbourne	\$0.83 m	4.8 %
Hobart	\$0.72 m	6.8 %
Darwin	\$0.59 m	18.9 %
Combined Capitals	\$0.99 m	8.2 %
Regional NSW	\$0.81 m	7.4 %
Regional QLD	\$0.80 m	12.6 %
Regional WA	\$0.66 m	16.1 %
Regional Vic	\$0.62 m	6.0 %
Regional Tas	\$0.57 m	6.7 %
Regional SA	\$0.52 m	11.1 %
Combined Regional	\$0.73 m	9.7 %

Fourteen financial maxims: #10 ‘ Don’t be surprised by anything hitting a record high- most assets and indices should make a record high every year, due to population growth, inflation etc. Record lows: more surprising. ’

Strong local production forecasts and high global supply to impact macadamia pricing in 2026

Australian Macadamia Production vs Export Volumes



Low local stocks may support prices early in the season. Before high global production impacts notional pricing in H2 2026.

AMS forecasting a 2026 crop of almost **60,000 MT**

Early season pricing expected to sit around **\$4 per kg**

Insights

- ➔ Industry deep dives
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Cattle

- Supply**
Australian beef production is set to increase in the first half of 2025 following several consecutive years of decline.
- Demand**
Demand for Australian beef is set to increase in the first half of 2025 as a result of several years of declining demand.
- Price**
Cattle prices are set to increase in the first half of 2025 as a result of several years of declining prices.
- Outlook**
A strong production and strong export demand are expected to support a strong price in the first half of 2025.

The National Herd
Australian national cattle headstock is set to increase in the first half of 2025. The decline in the first half of 2024 was due to average weather conditions across key production regions in Western Australia, Northern Territory, South West and Queensland, which saw a significant number of culling events leading to a decline in the national herd. The decline is also being driven by a greater number of culling events leading to a decline in the national herd. The decline is also being driven by a greater number of culling events leading to a decline in the national herd.

Australia's Beef Supply
Australia's beef supply is set to increase in the first half of 2025. The decline in the first half of 2024 was due to average weather conditions across key production regions in Western Australia, Northern Territory, South West and Queensland, which saw a significant number of culling events leading to a decline in the national herd. The decline is also being driven by a greater number of culling events leading to a decline in the national herd.

Sheep

- Supply**
Australian sheep supply is set to increase in the first half of 2025 following several consecutive years of decline.
- Demand**
Demand for Australian sheep is set to increase in the first half of 2025 as a result of several years of declining demand.
- Price**
Sheep prices are set to increase in the first half of 2025 as a result of several years of declining prices.
- Outlook**
A strong production and strong export demand are expected to support a strong price in the first half of 2025.

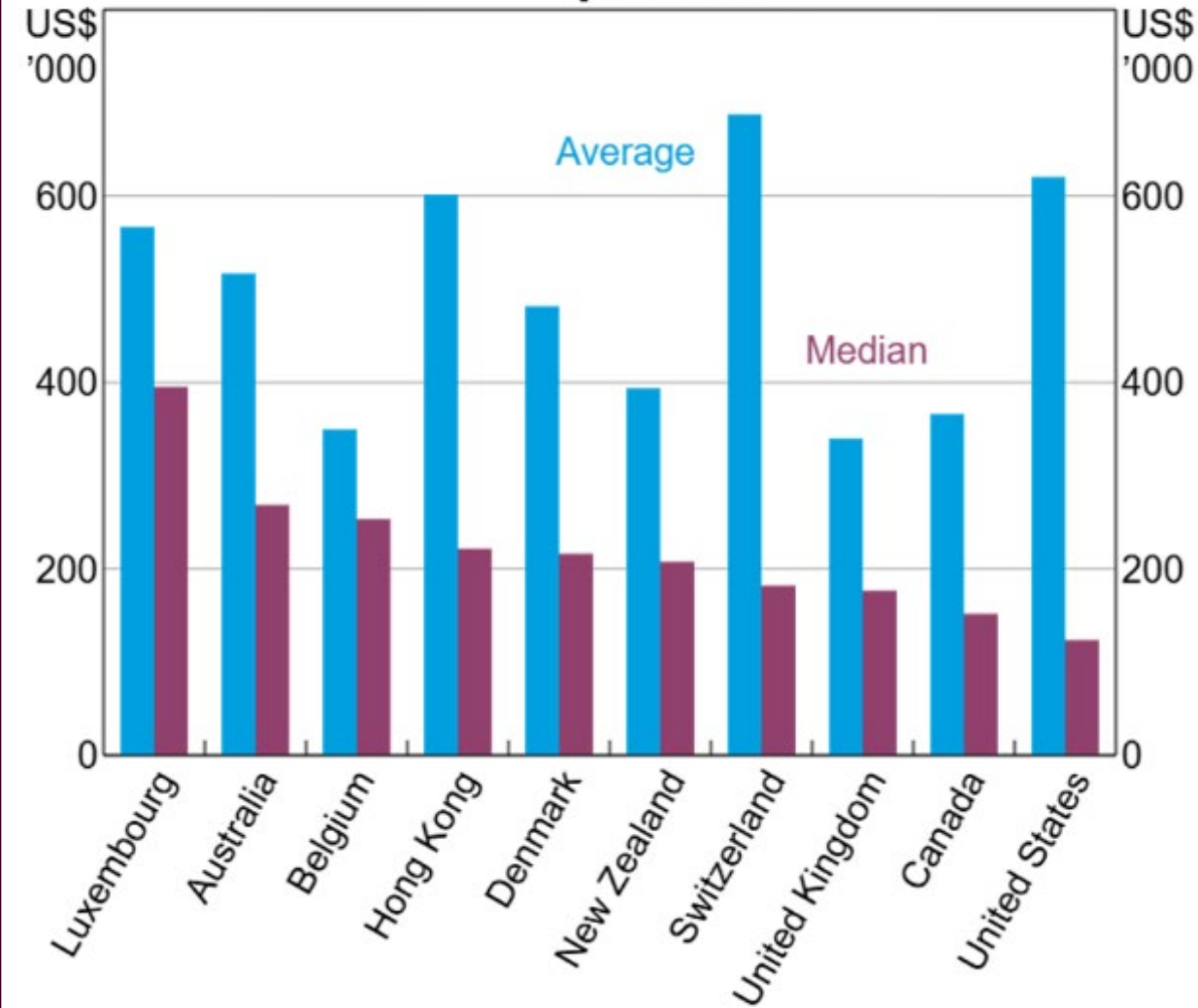
Supply
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Price
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AI should lift output, productivity and standards of living...

Wealth per Adult*



* Based on UBS Global Wealth Report 2025.

Source: UBS.

Significance of Technology Investment Over Time



* Firms reporting moderate or significant investment, as a share of total investment expenditure.

Source: RBA.

Fourteen financial maxims: #11 ' Markets and economic indicators tend to keep moving in the same direction at the same speed unless acted upon by a net external force ' (a variation of Newton's first law of motion)

...but will probably also lift interest rates...for a while.

(Australia)	12/25	12/26	12/28
GDP growth	2.6 %	2.2 %	3.5 – 4 % +
Unemployment rate	4.2 %	4.9 %	5.5 – 6 % +
Official Cash Rate	3.6 %	4.35 %	4.5 – 5 %
Core inflation	3.2 %	3.2 %	3 – 3.5 %
AUD/ USD	.668	.75	.77- .82 c
ASX200	8 714	A bit lower?	A lot higher!

Table 3: Market Economists' Unemployment Rate and Wage Price Index Forecasts

	Unemployment rate Per cent					Wage price index growth Year-ended					
	Jun 26	Dec 26	Jun 27	Dec 27	Jun 28	Dec 25	Jun 26	Dec 26	Jun 27	Dec 27	Jun 28
Low	4.0	4.0	4.0	3.9	4.0	3.1	2.9	2.8	2.6	2.5	2.5
Median	4.3	4.4	4.4	4.4	4.4	3.4	3.2	3.1	3.1	3.1	3.1
High	4.6	4.9	5.4	5.7	5.9	3.6	3.6	3.6	3.7	3.7	3.8
Responses	34	34	34	33	18	26	27	27	27	26	13

Table 4: Market Economists' Cash Rate and Exchange Rate Forecasts
Quarterly level

	Cash rate					Exchange rate (AUD/USD)				
	Jun 26	Dec 26	Jun 27	Dec 27	Jun 28	Jun 26	Dec 26	Jun 27	Dec 27	Jun 28
Low	3.60	3.10	2.85	2.85	3.00	0.66	0.63	0.65	0.65	0.63
Median	3.85	3.85	3.85	3.85	3.60	0.69	0.70	0.70	0.70	0.70
High	4.10	4.35	4.35	4.35	4.60	0.72	0.75	0.76	0.77	0.78
Responses	35	35	35	34	20	29	29	25	25	13

Fourteen financial maxims:
impatient to the patient'

#12 'The stock market is a device for transferring wealth from the
(attributed to Warren Buffett)

10 predictions for 2026



1. **Most easing cycles are over** for advanced economies- the US the only possible exception
2. **Global growth to (just) remain above 3%** - dependent on the extent of the middle east conflict
3. More policy support in **China achieving 4.5 % growth** as Asia outperforms
4. Financial markets to **remain volatile** for FX, bonds and stocks but **buy the dip for stocks**
5. **Bonds to underperform** vs other asset classes
6. **RBA to deliver two more hikes this year** – May next; but then higher rates into 2027
7. Australian **core inflation** to remain between **2 ¾ % and 3 ¾ %** not helped by the oil crisis
8. **Unemployment** to increase by at least ½ % to **> 4.5 %** (but still lower than in 2019)
9. Australia **to retain AAA rating** – which will guard us from global sovereign debt jitters
10. Aussie dollar to consolidate **above US 70 cents**

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