Australia

						Forecasts		
	2020	2021	2022	2023	2024	2025	2026	2027
GDP growth (%)	-2.0	5.4	4.2	2.1	1.0	1.8	2.1	2.2
CPI inflation (%)*	0.8	2.9	6.6	5.6	3.2	2.6	3.0	2.6
Fiscal balance (% of GDP)	-8.7	-6.4	-2.2	-1.3	-2.3	-2.4	-4.3	-4.4
Current balance (% of GDP)	1.7	2.4	0.4	-0.2	-1.9	-1.8	-1.7	-1.9
Public debt (% of GDP)	57.1	55.5	50.2	49.6	50.7	51.0	50.7	50.5
Reference rate (%)*	0.3	0.1	1.3	3.9	4.4	3.0	3.4	3.3
Exchange rate (AUD/USD)*	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Note: * Annual average.
Source: CaixaBank Research, based on data from the Australian Bureau of Statistics, the IMF, and the Reserve Bank of Australia (via Refinitiv and Bloomberg).

Outlook

The **Australian economy** lost some momentum in Q3, with real GDP growth of 0.4% quarter-on-quarter (vs. 0.7% in Q2), slightly below the 0.6% anticipated by the Reserve Bank of Australia (RBA), and the year-on-year rate rose by 0.1% to 2.1% (due to the upgrade of the previous quarter). Growth was driven by domestic demand, especially private investment (primarily, investments in data centres) and household consumption, although the latter rose at a far more modest pace. Public consumption also supported growth, helping to offset the fall in foreign demand and inventories. The outlook for the coming quarters is positive, as real incomes and the savings rate of Australian households are rising.

Economic policies

Both headline and core **inflation** rose above the RBA's 2%-3% target in Q3. This rise is largely due to higher electricity prices, although rent and prices of new housing are also increasing. This will keep the RBA on hold, much like in the September and November meetings (it held rates at 3.60%), following the three cuts it made in 2025 (the reference rate was 4.35% at the end of 2024). The RBA has adopted a more cautious approach in its most recent meetings and it has ruled out further cuts in the short term, without precluding possible hikes if inflationary pressures continue to grow. However, in its baseline scenario it foresees a stable reference rate until the middle of next year, when there may be further cuts.

On the fiscal side, **public finances** worsened in 2025-2026 due to an increase in planned expenditure, despite an improvement in revenue projections. The budget will be back in surplus in 2027-2028, a little later than expected, and public debt is expected to continue to increase in the coming years, but to remain at low levels. In its latest assessment of the Australian economy (November 2025), the IMF warned that maintaining fiscal sustainability will require tax reforms and greater spending efficiency, especially amid rising expenditure on health, social protection and infrastructure.

Closing date of this edition: 19 December 2025

Exchange rate

The Australian dollar followed an upward trend against the US dollar in 2025 (rising by just over 6%) and is trading at around 0.66 USD per AUD. Expectations of monetary stability in Australia versus the cuts expected in the US, increased global risk appetite, and rising commodity prices (Australia is one of the world's leading producers and exporters of certain commodities, such as iron and coal) are behind this trend. We expect them to remain at current levels in the coming quarters and to start to depreciate slightly from 2027 onwards.

Risks

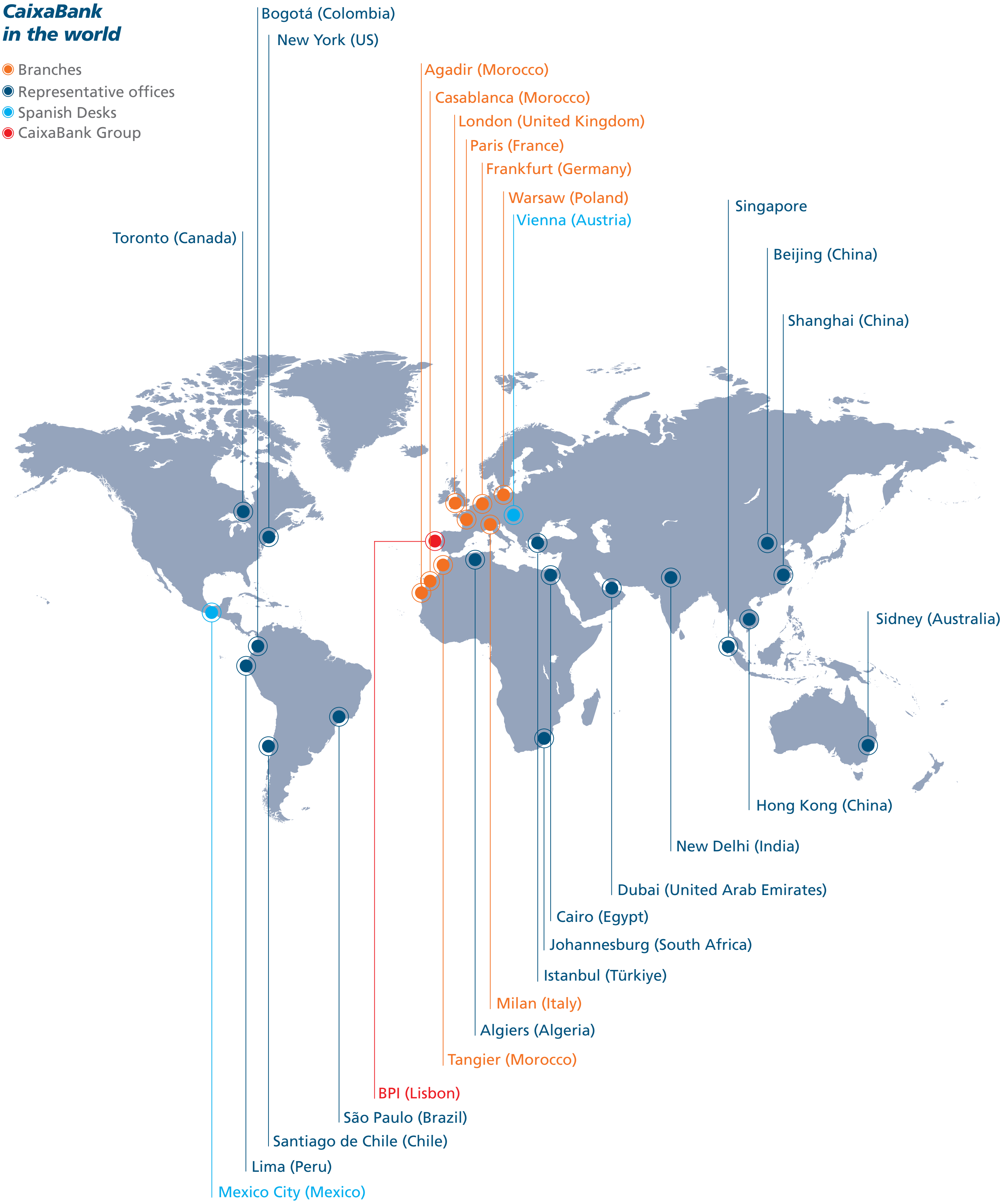
The outlook for 2026 points to a slight pick-up in growth to 2.1% this year (according to the IMF's autumn forecast; slightly above the 1.9% forecast by the RBA) and for inflation to be within the RBA's target range (2%-3%) by 2027, but the Australian economy is not entirely free of internal and external risks.

- **Internal risks**. The threat of above-target inflation lingers, requiring the RBA to raise interest rates again to rein it in. The labour market remains strong, but some signs of cooling are starting to emerge, such as a slight pick-up in unemployment and wage moderation, which could affect household consumption. Rising debt and a growing deficit will also make it more difficult to inject additional stimulus if the economy falters significantly. The IMF has warned of certain structural challenges that are limiting the Australian economy's medium-term growth potential, such as low productivity. These require reforms related to technology, competition, the labour market, the green transition and to address the current strains in the housing market. It also stresses the importance of maintaining sufficient fiscal space to deal with any shocks in the coming years.
- **External risks**. Australia is highly exposed to fluctuations in commodity prices (e.g. iron ore, coal, natural gas) and is highly dependent on Chinese demand. Further trade or geopolitical tensions could hit Australian exports and business sentiment, putting additional pressure on the country's economic performance and the stability of the currency.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
Standard & Poor's	AAA	25/02/11	Stable	06/06/21
Moody's	Aaa	20/10/02	Stable	13/11/03
Fitch Ratings	AAA	28/11/11	Stable	13/10/21

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

CaixaBank in the world



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