Weekly Economic Brief

28 November 2025 | Senior Economist's View

Has the RBA's window for easing closed?

Resilient inflation and economic recovery to put the RBA on the sidelines

This week's release of the October monthly CPI in Australia was significant for statistics boffins, economists and market watchers alike. Until now, Australia was the only G20 country to produce a complete CPI on a quarterly, rather than monthly, basis. For the last three years, the ABS has been producing a monthly CPI indicator, which covered around two-thirds of the basket in any one month. But the ABS has now improved measurement of consumer prices to enable it to produce a complete monthly CPI which covers around 90% of the basket every month. The inaugural monthly CPI was released this week.

The monthly CPI will be more volatile than the quarterly CPI but should provide a more timely read on evolving inflation trends. This is particularly important for the RBA in setting monetary policy and comes hot on the heels of the upside surprise to inflation in the September quarter. With the RBA's preferred underlying, or trimmed mean, inflation measure lifting to an annual rate of 3% in the September quarter, any further upside to inflation will push it above the top of the target band.

The October CPI showed a further rise in both headline and underlying inflation in the month. After bottoming at 1.9% in June, headline inflation has accelerated sharply to 3.8%, predominantly due to rising electricity, fuel and travel costs. Underlying inflation has also risen though, from 2.8% in June to 3.3% in October. This lift in underlying inflation has been driven by higher costs for new home building and an uptick in some services prices, such as the cost of eating out. The higher prices in these sectors reflect a combination of higher input costs and an element of margin rebuilding as the economy improves. Whether or not these price gains are sustained is critical to the inflation outlook.

Our view is that households aren't yet in a strong enough position to be able to sustain increased price pressures without pulling back on spending. This provides a natural limit to the upside to inflation, as higher inflation directly weakens the already-modest economic recovery.

Until now, the economic recovery that we have seen has been narrowly based around the consumer as incomes improved. The combination of slower inflation, interest rate cuts and the stage 3 tax cuts in the second half of last year, sparked a recovery in real disposable incomes that allowed households to spend more of their take-home pay packets. But the hangover of the cost-of-living crisis and heightened global trade uncertainty has left households with cautious spending habits, choosing to increase savings and wait for sales periods to increase spending. Indeed, this is what we witnessed in the September quarter, with real household spending slowing to just 0.2% in the absence of major sales events, from 0.9% growth in the June quarter.

Other data this week suggested the economic recovery may now be broadening beyond the consumer, with strong growth of 6.4% in private sector capital expenditure in the September quarter, following a period of no growth over the previous year. This was the largest increase in private capex since the mining boom (outside the pandemic) and was relatively broad based. Equipment, plant and machinery investment grew by a very robust 11.5% in the quarter, with investment in this category by the telecommunications industry almost doubling just this quarter driven by investment in data centres and cloud-based services.

New building investment was more subdued but still strong. Building work done rose by 4% in the quarter and 6.5% in the year to September. There has been a particularly strong lift in residential construction of 8.5% in the last year as the industry works to resolve supply constraints and reduce build times amid stronger demand. Non-residential building has also started to recover, while engineering construction has fallen by 1.2% over the last year as government investment pulled back from elevated levels.

Importantly, capital spending plans in the year ahead have lifted, suggesting the rise in the September quarter may represent the beginning of the long-awaited investment recovery rather than a one-time lift. Investment intentions for FY26 now indicate positive growth momentum rather than flatlining. A recovery in business investment is critical to support the consumer-led cyclical upswing, at a time when public sector spending wanes as governments face budgetary pressures.

Next week brings the quarterly report card on the economy, in the form of the September quarter National Accounts. We expect GDP growth to grow at a similar rate to the 0.6% recorded in the June quarter, as the pullback in consumption and high import-content of some of the investment offsets its boost. But with the economic recovery showing signs of broadening beyond the consumer, and inflation continuing to show resilience, the window for RBA easing has likely closed.

Table 1: Financial market movements: 20 – 27 November 2025

EQUITY INDEX	LEVEL	CHANGE	10-YR GOVERNMENT BOND	YIELD	CHANGE	FOREIGN EXCHANGE	RATE	CHANGE
S&P 500	6,812.6	4.2%	US	3.99%	-9.0 bps	US Dollar Index (DXY)	99.55	-0.6%
Nikkei 225	50,167.1	0.7%	Japan	1.80%	-2.3 bps	USD-JPY	156.31	-0.7%
FTSE 100	9,693.9	1.7%	UK	4.45%	-13.6 bps	GBP-USD	1.324	1.3%
DAX	23,768.0	2.1%	Germany	2.68%	-3.6 bps	EUR-USD	1.160	0.6%
S&P/ASX 200	8,617.3	0.8%	Australia	4.49%	2.8 bps	AUD-USD	0.653	1.5%

Source: Bloomberg

Matthew Peter
Chief Economist
m.peter@qic.com

Drew Klease
Principal Economist
d.klease@qic.com

Lynda Bourke
Senior Economist
l.bourke@qic.com

Sophie Willgoose
Economist
s.willgoose@qic.com

Elliot Hiller
Graduate
ehiller@qic.com

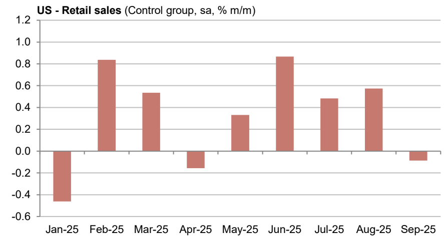
The Weekly Economic Brief is issued by QIC Limited ACN 130 539 123 ("QIC") and is compiled by QIC's Economics & Research Team.

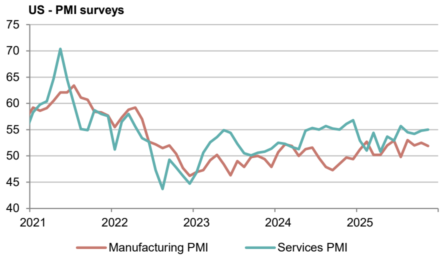
Economic update by region

United States

US retail sales weak in September but solid over the quarter

- The value of retail sales rose by a modest 0.2% in September, after strong consecutive gains of 0.6% in the previous two months. The control measure of retail sales fell by 0.1% over the month. Taken together, the three months to September of retail sales point to another solid quarter of household consumption.
- The S&P PMI edged up from 54.6 in October to 54.8 in November continuing to indicate solid expansion in business activity. The input and output price subindexes remained elevated over the month, however they have eased from their highs following Liberation Day.





Euro area/United Kingdom

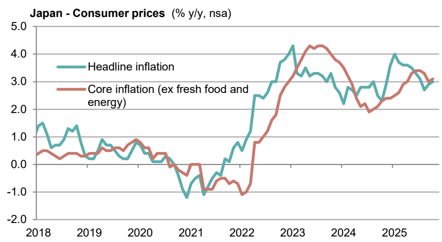
The UK government tightens fiscal policy further in its Autumn Budget

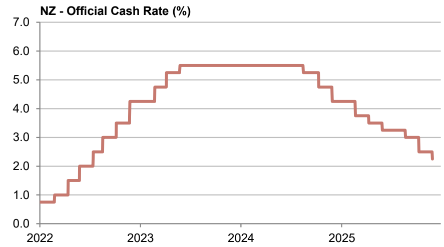
- The UK government increased fiscal spending at its first Autumn Budget last year, but a deteriorating budget position forced fiscal tightening at the Spring Statement in March and at this year's Autumn Budget. The fiscal tightening in this budget was primarily in the form of tax increases which was partially offset by new spending initiatives. Taxes increases will reach £26 billion by UK fiscal year 29-30 whilst spending will increase by £11 billion for a net impact on the budget (including indirect effects) of £11b in deficit reduction. The tax increases are however predominantly back loaded with the budget increasing the deficit modestly in the first three years.

China/Japan

Japanese inflation ticks up as large stimulus package is announced

- The headline rate of Japanese inflation ticked up from an annual rate of 2.9% in September to 3% in October. The annual rate of ex-fresh food and energy inflation, the BOJ's preferred measure of core inflation, similarly moved up from 3% in September to 3.1% in October. This rise in inflation occurred despite the continued easing in rice inflation which had lifted dramatically in 2025 due to rice shortages. In a positive sign for the sustainability of the current uptick in inflation services inflation increased from 1.4% in September to 1.6% in October.
- The Japanese Cabinet has approved Japan's new Prime Minister Taikiachi's large fiscal stimulus package worth 21.3 trillion yen or 3.3% of GDP. Whilst the package will likely change before it is legislated, it is unlikely to be significantly reduced in size. The size of the fiscal stimulus will likely increase the Bank of Japan's confidence that the current bout of inflation can be sustained, allowing it to raise its policy rate in the coming months.

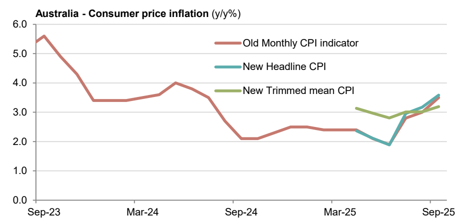




Australia/New Zealand

RBNZ delivers further rate cut

- At its November meeting the RBNZ's monetary policy committee voted 5-1 to cut the official cash rate (OCR) by 25bps to 2.25%. The RBNZ has reduced the OCR by a cumulative 225bps. The monetary policy statement noted that the decision to take the OCR further into stimulatory territory was justified by the continued weak economic conditions and the committee's confidence that inflation was on a disinflationary path. The RBNZ projections for the OCR include no further rate cuts which agrees with QIC's view that the RBNZ has likely reached the end of its easing cycle.
- The annual rate of Australian headline inflation ticked up from 3.6% in September to 3.8% in October. Underlying inflation similarly rose with the annual rate of trimmed mean inflation ticking up from 3.2% in September to 3.3% in October.



Sources: ABS, LSEG, QIC

QIC is a wholesale funds manager and its products and services are not directly available to retail investors. QIC is a company government owned corporation constituted under the Queensland Investment Corporation Act 1991 (Qld). QIC is regulated by State Government legislation pertaining to government owned corporations in addition to the Corporations Act 2001 ("Corporations Act"). QIC does not hold an Australian financial services ("AFS") licence and certain provisions (including the financial product disclosure provisions) of the Corporations Act do not apply to QIC. Please note however that some wholly owned subsidiaries of QIC have been issued with an AFS licence and are required to comply with the Corporations Act. QIC, its subsidiaries, associated entities, their directors, employees and representatives ("the QIC Parties") do not warrant the accuracy or completeness of the information contained in this document ("the Information"). To the extent permitted by law, the QIC Parties disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying on the Information, whether that loss or damage is caused by any fault or negligence of the QIC Parties or otherwise. The Information has been prepared for general information only and is not intended to constitute financial advice. It does not take into account the reader's objectives, financial circumstances or needs and persons should seek professional advice before relying on the Information. QIC owns the copyright and all other intellectual property rights in all Information, or has a licence or agreement to use that copyright where it is owned by someone else. You may only reproduce the Information for personal or non-commercial use, and it must not be distributed or transmitted to any other person, or used in any other way (except to the extent permitted by law).