

# MAY 2026 FINANCIAL REVIEW

## AUSTRALIA ECONOMIC POSITION — CURRENT STATE ASSESSMENT

Australia is operating within a constrained economic environment, defined by elevated inflation, tightening monetary policy, and slowing growth.

At a macro level, the economy remains stable—but increasingly under pressure from external shocks and internal cost constraints.



### STRATEGIC POSITIONING SUMMARY

The Australian economy is currently characterised by:

-  Persistent inflation above target
-  Sustained higher interest rates
-  Slowing (but not collapsing) growth
-  Increasing household pressure
-  Limited policy flexibility
-  Dominant external influences

### KEY INSIGHT

Australia is not in crisis—but it is no longer in a growth cycle.

It is transitioning into a controlled slowdown phase, where outcomes will be determined by:

- ✓ The duration of external cost pressures
- ✓ The effectiveness of monetary policy
- ✓ The resilience of the household sector

The current environment favours discipline, strong asset selection, and conservative assumptions over aggressive growth positioning.



#### 1 INFLATION — ELEVATED AND REACCELERATING



Inflation remains above the RBA's target band (2–3%), with recent data indicating renewed upward pressure.

- Headline inflation has lifted to ~4.6%
- Energy and fuel costs are key contributors
- External geopolitical factors are driving pricing volatility

##### IMPLICATION:

Inflation is no longer purely a domestic demand issue—it is being sustained by global supply-side pressures, reducing the effectiveness of traditional monetary policy.

SOURCE:  
Reuters  
The Guardian Australia

#### 2 INTEREST RATES — UPWARD BIAS REMAINS



The Reserve Bank is maintaining a tightening bias, with markets expecting rates to hold at elevated levels or increase further.

- Cash rate sitting around ~4.35%
- Further increases remain a live possibility
- Rate cuts are not currently supported by inflation data

##### IMPLICATION:

Borrowing costs will remain structurally higher in the short-to-medium term, impacting housing, development feasibility, and consumer spending.

SOURCE:  
Reuters  
The Australian

#### 3 ECONOMIC GROWTH — MODERATING



Economic growth is slowing as higher rates and cost pressures flow through the system.

- GDP growth trending toward ~2%
- Consumer spending is weakening
- Business confidence remains mixed

##### IMPLICATION:

The economy is not contracting—but momentum is clearly softening, particularly at the household level.

SOURCE:  
ABC News  
Reuters

#### 4 HOUSEHOLD SECTOR — INCREASING STRAIN



Households are experiencing genuine financial pressure, reflected in changing spending behaviour.

- Shift toward essential spending
- Increased reliance on credit
- Reduced discretionary consumption

##### IMPLICATION:

Consumer resilience is weakening, which is a leading indicator for broader economic slowdown.

SOURCE:  
The Guardian Australia

#### 5 POLICY ENVIRONMENT — CONSTRAINED



The Reserve Bank is currently operating within a policy limitation framework:

- Raising rates controls inflation—but slows growth
- Holding or cutting rates risks prolonging inflation

##### IMPLICATION:

Australia is effectively in a policy squeeze, where no option is clean. This increases the likelihood of prolonged economic adjustment rather than a sharp correction.

SOURCE:  
The Australian  
Reuters

#### 6 EXTERNAL DRIVERS — DOMINANT INFLUENCE



A key feature of the current cycle is the dominance of global factors:

- Energy price volatility
- Geopolitical instability
- Global supply chain disruptions

##### IMPLICATION:

Australia's economic direction is being influenced externally, limiting domestic control over outcomes.

SOURCE:  
Reuters  
The Guardian Australia

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## WHAT DOES THIS MEAN FOR YOU?



### HOME OWNER

- ✓ Your property value is likely holding—but not accelerating
- ✓ Higher interest rates mean holding costs are up
- ✓ Buyers are more selective, so presentation and pricing matter more than ever



### WHAT TO DO:

Stay focused on cashflow and long-term value. If you're considering selling, strategy and timing will directly impact your result.



### INVESTMENT PROPERTY OWNER

- ✓ Rental demand remains strong, supporting returns
- ✓ Interest rates are putting pressure on margins
- ✓ Capital growth is slower and more selective



### WHAT TO DO:

Focus on rental yield and asset quality. This is a market for disciplined investors, not speculation.



### RENTER

- ✓ Rental demand remains tight, keeping pressure on prices
- ✓ Cost of living and housing costs are both elevated
- ✓ Saving for a deposit is more challenging—but competition to buy is lower



### WHAT TO DO:

Work on financial positioning and borrowing readiness. When you're ready, conditions may favour buyers more than they have in recent years.

“

The market hasn't stopped—it has shifted.

Those who understand the environment and make informed, strategic decisions will be in the strongest position moving forward.



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