

s 22

From: s 47F [REDACTED]@nab.com.au>
Sent: Monday, 17 August 2026 9:47 AM
To: s 22 [REDACTED]@TREASURY.GOV.AU>; s 22 [REDACTED]@TREASURY.GOV.AU>; s 22 [REDACTED]@pm.gov.au>
Subject: NAB Q3 2026 Results

Dear s 22 [REDACTED]

I hope you're all well.

NAB has today released its third quarter trading update, highlighting progress across our key priorities while noting softer housing market activity and ongoing economic pressures facing Australian households and businesses.

The update includes additional detail on mortgage lending activity, asset quality, and the economic outlook.

Please find below a summary of key points, including reference to the 15% decline in home lending applications first reported in July.

Please let me know if you have any questions or would like additional information.

Best regards
s 47F [REDACTED]

+++++

Key points

- Cash earnings of \$1.83bn, up 2% on 1H26 (excluding the impact of a Large Notable Item in 1H26), 4% higher on 3Q25.
- Net interest margin (NIM) decreased 2bps to 1.79%.
- The default but not impaired ratio increased marginally from 1.19% to 1.20% compared with March 2026.
- CET1 ratio of 11.93%, remaining above NAB's target operating range of greater than 11.25%.
- Australian business lending and deposit balances both increased 2% during the quarter.
- Ongoing geopolitical uncertainty, higher domestic interest rates and recent taxation changes are creating challenges for households and businesses.
- As previously released in July, Australia's home lending market softened in 3Q26 with applications declining 15% compared with 2Q26, including a 17% decrease in investor lending and 14% decline in owner occupier lending applications.
- Rental vacancy rates remain low, while rental growth continues to be elevated.
- NAB Economics forecasts annual real GDP growth of 1.5% in calendar year 2026, increasing to 1.9% in 2027. Unemployment is expected to rise to 4.8% in 2027.
- NAB Economics is forecasting the cash rate will fall to 3.60% by December 2027.

s 47F

Corporate Affairs | National Australia Bank Limited

Level 5, 2 Carrington Street, Sydney NSW 2000

Mob: s 47F | Email: s 47F



I acknowledge the Traditional Custodians of the land, sea and waters on which I work and live.

The information contained in this email communication may be confidential. If you have received this email in error, please notify the sender by return email, delete this email and destroy any copy.

Any advice contained in this email has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this email, National Australia Bank Limited (**NAB**) recommends that you consider whether it is appropriate for your circumstances. If this email contains reference to any financial products, NAB recommends you consider the Product Disclosure Statement (PDS) or other disclosure document available from NAB, before making any decisions regarding any products.



2026 Third Quarter Trading Update Supplementary Disclosures

This presentation is general background information about NAB. It is intended to be used by a professional analyst audience and is not intended to be relied upon as financial advice. No representation is made as to the accuracy, completeness or reliability of the presentation.

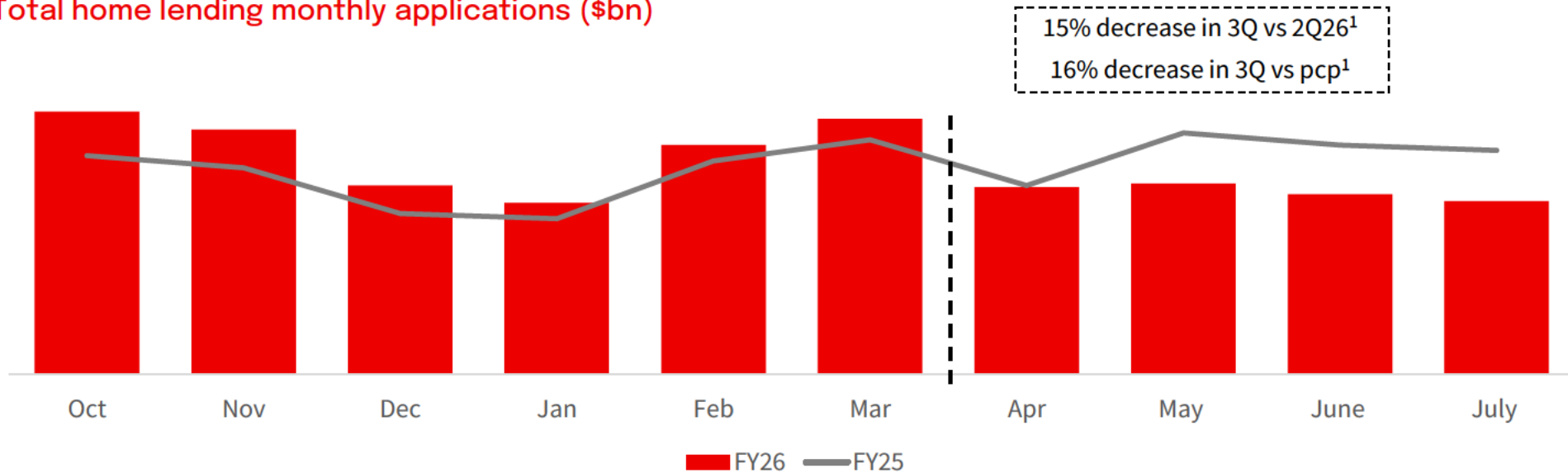
This announcement has been authorised for release by Inder Singh, Group Chief Financial Officer and Group Executive, Strategy

For further information visit www.nab.com.au or contact:

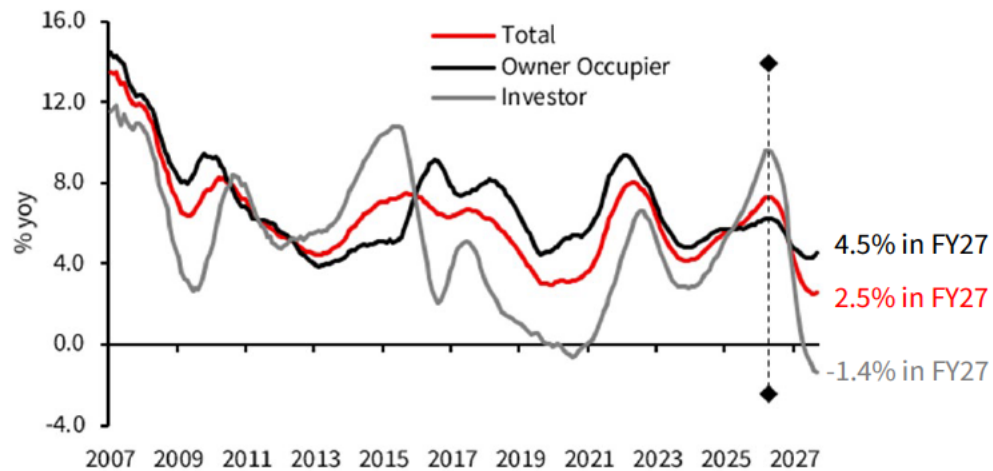
s 47F

Australian housing lending trends

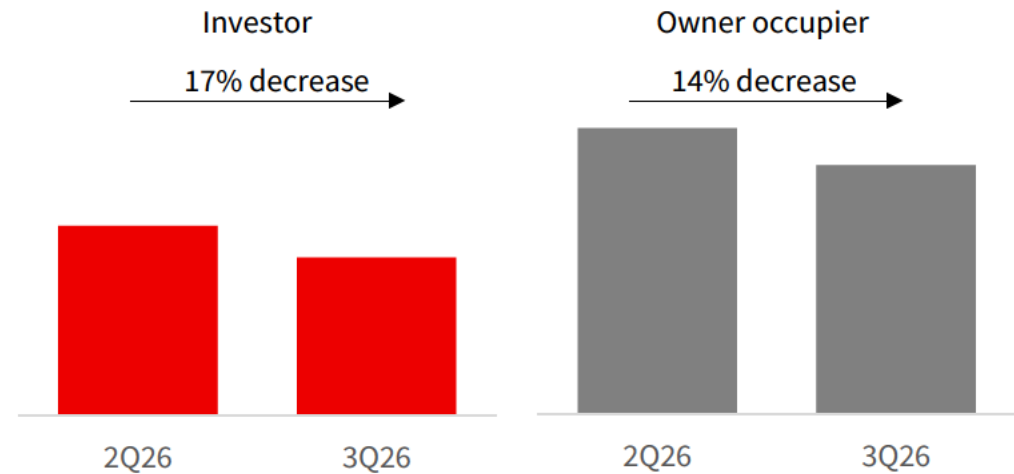
Total home lending monthly applications (\$bn)



Housing system credit growth forecasts (%)²



Quarterly home lending applications (\$bn)



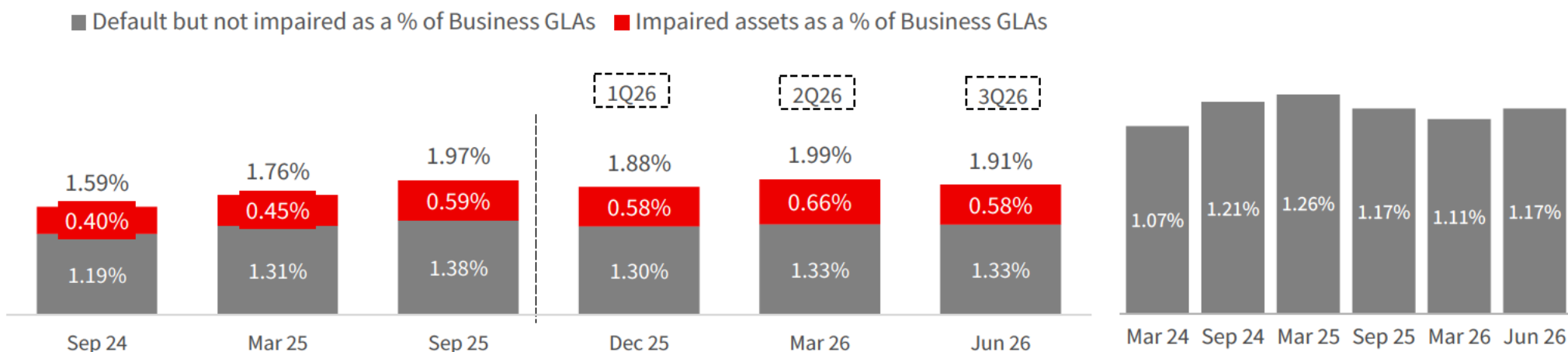
(1) Calculated on value of applications before rounding applied

(2) Source: NAB Economics

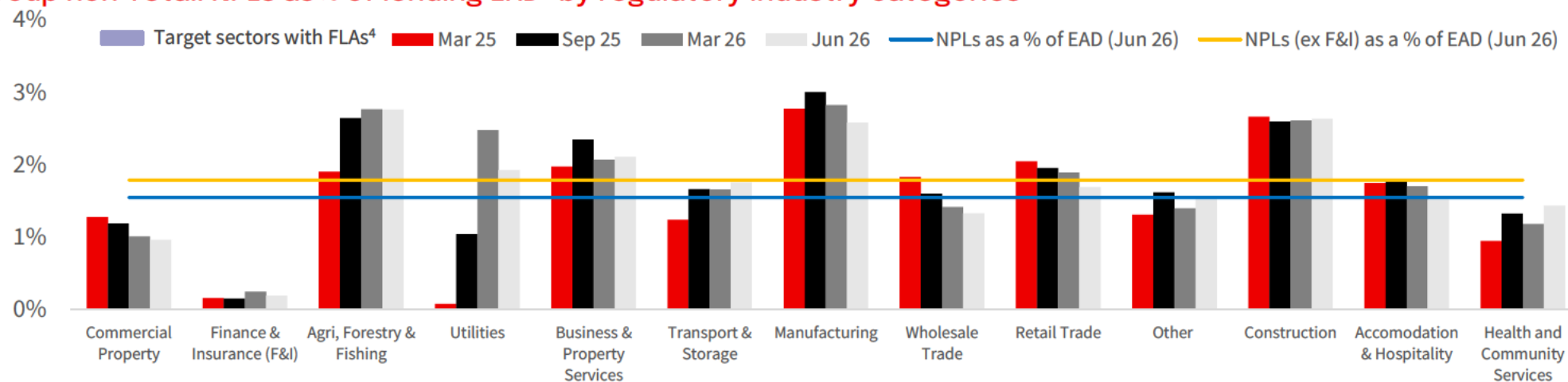
Group asset quality

Group non-retail non-performing exposures (NPLs) as % of GLAs

Watch loans¹ as a % of GLAs



Group non-retail NPLs as % of lending EAD² by regulatory industry categories³



Industry	% of Group non retail lending EAD
Commercial Property	23%
Finance & Insurance (F&I)	15%
Agri, Forestry & Fishing	15%
Utilities	6%
Business & Property Services	6%
Transport & Storage	5%
Manufacturing	5%
Wholesale Trade	5%
Retail Trade	4%
Other	4%
Construction	4%
Accommodation & Hospitality	4%
Health and Community Services	4%

(1) Watch loans are generally triggered by banker referrals or manual downgrades of customer ratings as part of reviews throughout the year.

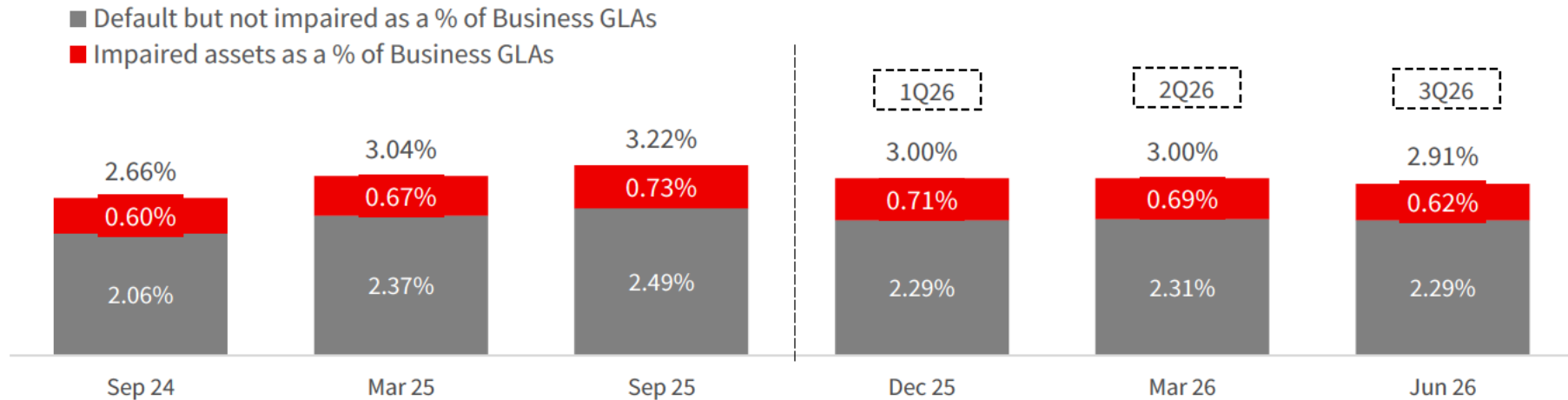
(2) Group non-retail lending EAD at Jun 26 was \$433.3bn

(3) Based on ANZSIC Level 1 classifications of the counterparty

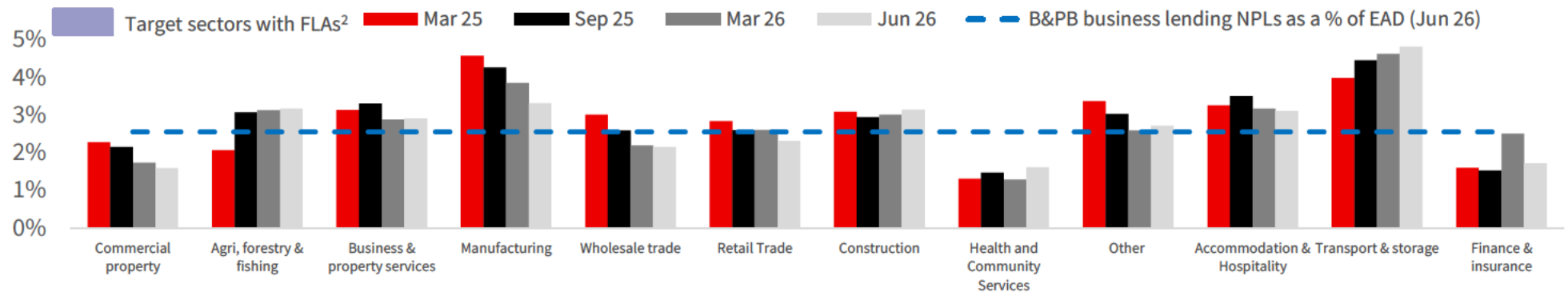
(4) Target sectors with FLAs refers to non-retail sectors with an FLA provision relating to: Agriculture, Forestry & Fishing, Construction, Manufacturing, Transport & Storage and Commercial Real Estate

Business & Private Banking business lending asset quality

Non-performing exposures (NPLs) as % of GLAs



NPLs as % of lending EAD by regulatory industry categories¹



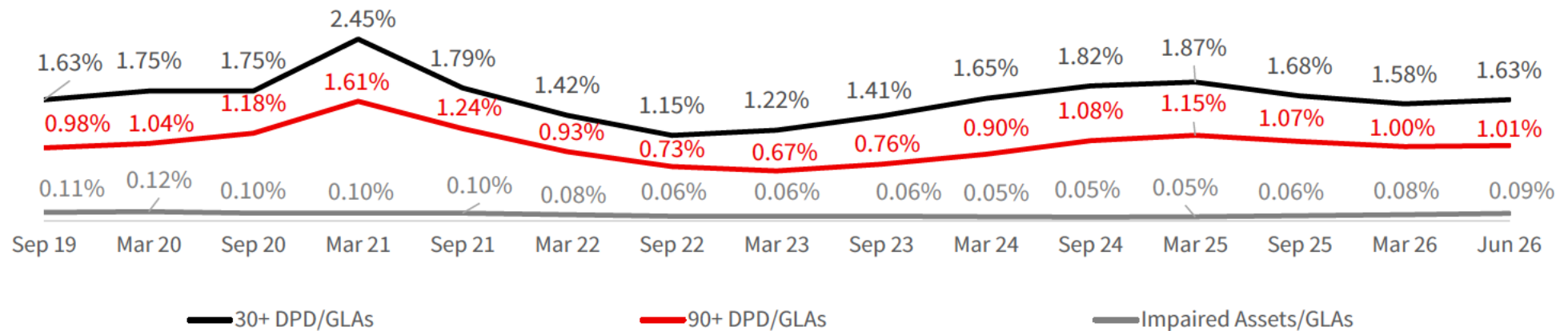
Industry % of non retail lending EAD	25%	24%	7%	6%	6%	6%	6%	5%	4%	4%	4%	3%
--------------------------------------	-----	-----	----	----	----	----	----	----	----	----	----	----

(1) Based on ANZSIC Level 1 classifications

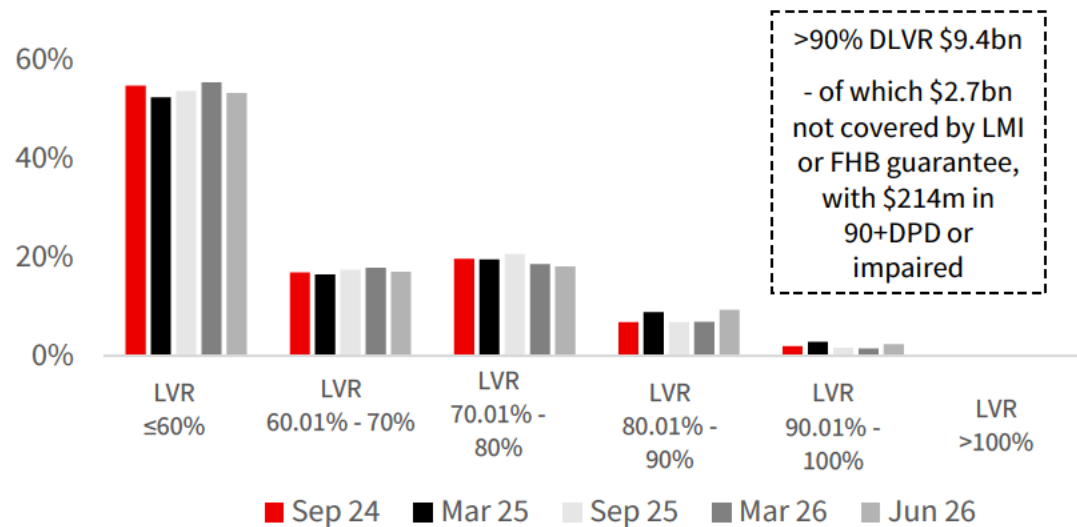
(2) Target sectors with FLAs refers to non-retail sectors with an FLA provision relating to: Agriculture, Forestry & Fishing, Construction, Manufacturing, Transport & Storage and Commercial Real Estate

Australian retail asset quality

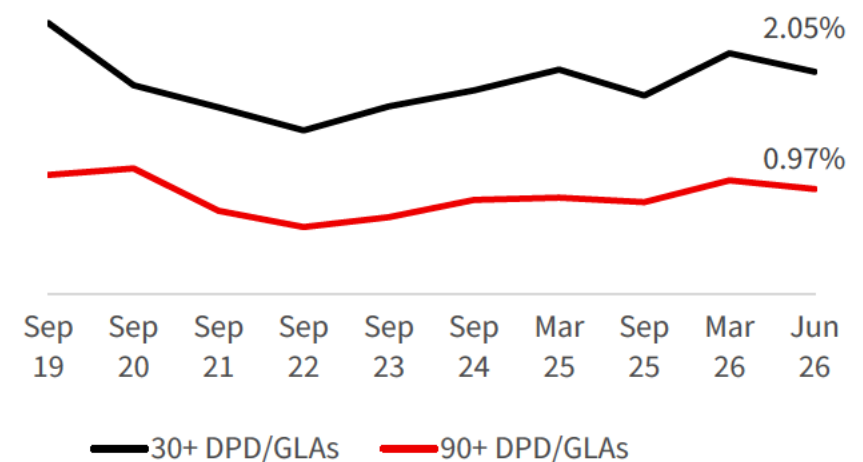
Housing 90+DPD 1.01% as % of GLAs and limited impairment¹



Dynamic LVR breakdown of drawn balance²
Jun 26 portfolio DLVR increased 0.9% to 37.9%



Cards and personal lending days past due (DPD) as a % of total cards and personal lending GLAs^{3,4}



(1) Excludes 86 400 platform. Includes Citi Consumer Business from Sep 24

(2) Excludes the impact of offset accounts

(3) From 25 August 2025, Ready Credit product has been redesigned as credit cards. As a result, ~\$0.6bn of balances have moved from Personal Lending to Credit Cards. Mar 25 and prior have not been restated

(4) Includes Citi Consumer Business from Sep 22

Australia and NZ key economic indicators

Australian economic indicators (%)¹

	CY23	CY24	CY25	CY26(f)	CY27(f)
GDP growth ²	1.3	1.2	2.5	1.5	1.9
Unemployment ³	3.9	4.0	4.3	4.6	4.8
Trimmed-mean inflation ⁴	4.2	3.3	3.3	3.4	2.7
Cash rate target ³	4.35	4.35	3.60	4.35	3.60

NZ economic indicators (%)¹

	CY23	CY24	CY25	CY26(f)	CY27(f)
GDP growth ²	1.5	-1.6	1.5	1.5	2.8
Unemployment ³	4.0	5.1	5.4	5.5	5.1
Inflation ⁴	4.7	2.2	3.1	3.8	1.8
Cash rate (OCR) ³	5.50	4.25	2.25	3.25	4.00

Australian system growth (%)⁵

	FY23	FY24	FY25	FY26(f)	FY27(f)
Housing	4.2	5.1	6.3	6.7	2.5
Personal	1.9	2.5	4.4	3.8	2.4
Business	6.6	7.6	9.4	10.5	7.0
Total lending	4.9	5.8	7.3	7.9	4.1
System deposits	5.3	5.5	7.3	7.2	3.4

NZ system growth (%)⁵

	FY23	FY24	FY25	FY26(f)	FY27(f)
Housing	3.0	3.3	5.4	5.2	4.6
Personal	4.9	1.3	1.4	1.3	1.5
Business	1.1	1.9	2.4	3.1	3.9
Total lending	2.4	2.8	4.3	4.4	4.3
Household retail deposits	5.3	5.5	5.2	4.6	4.3

(1) Sources: ABS, RBA, RBNZ, Stats NZ, NAB Economics

(2) December quarter on December quarter of previous year

(3) As at December quarter

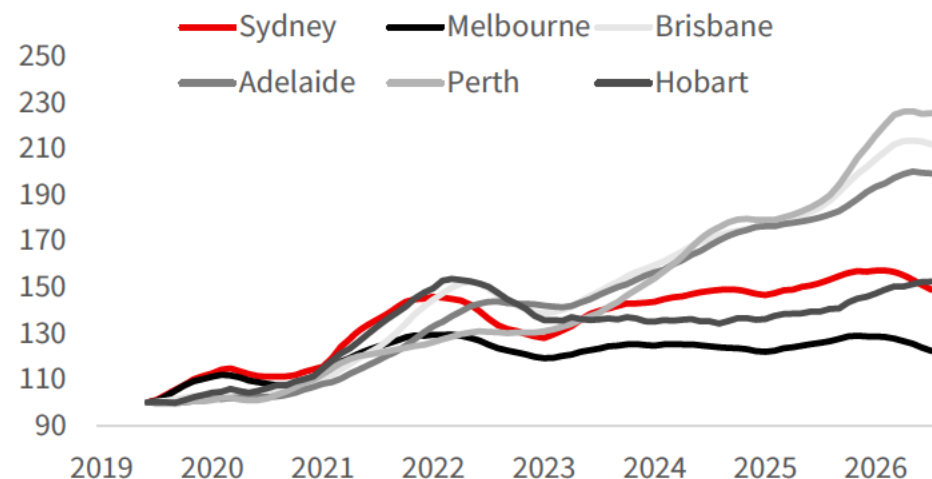
(4) December quarter on December quarter of previous year. For Australia, trimmed-mean measure of underlying inflation

(5) Sources: RBA, RBNZ, NAB. Bank fiscal year-ended (September). NZ business credit includes credit to Agriculture and is calculated from break adjusted data

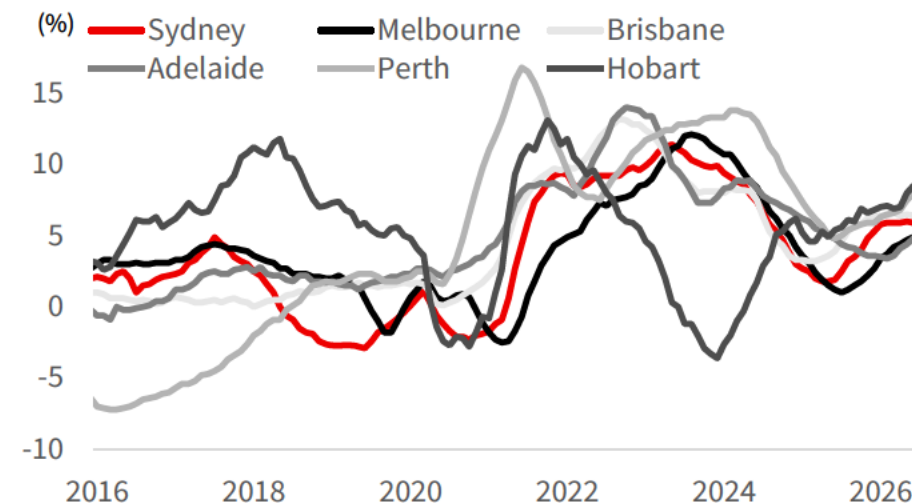
House prices falling but rents growth remains solid

Falls in prices led by Sydney and Melbourne¹

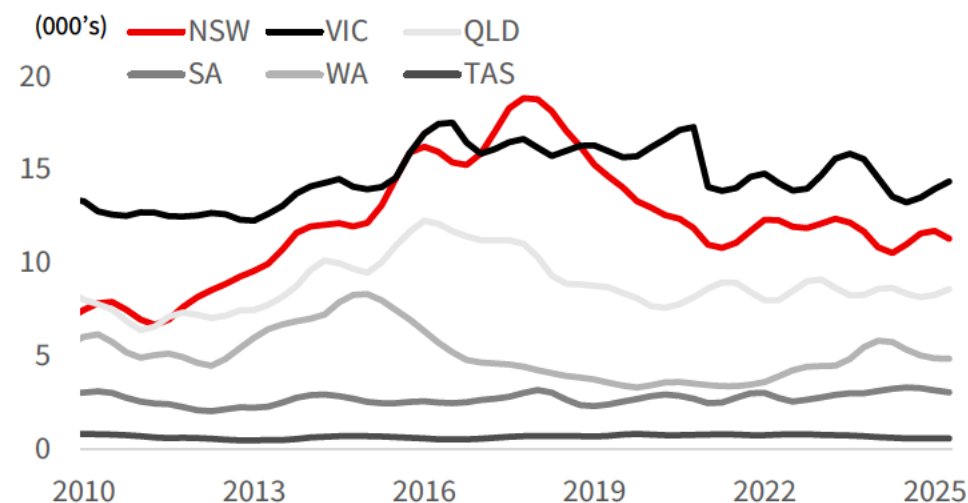
(Index)



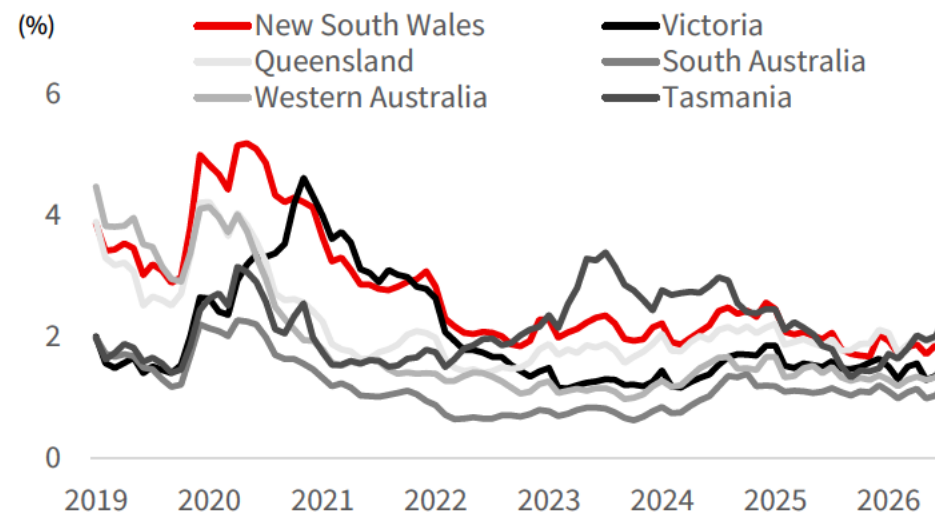
Rents growth remains elevated²



Dwelling completions remain low relative to demand³



Rental vacancy rates remain low⁴



(1) Source: Cotality. Greater Capital City Hedonic Dwelling Price Index, Index June 2019 = 100. Data to July 2026

(2) Source: Cotality. Hedonic measure of advertised rents. Data to July 2026

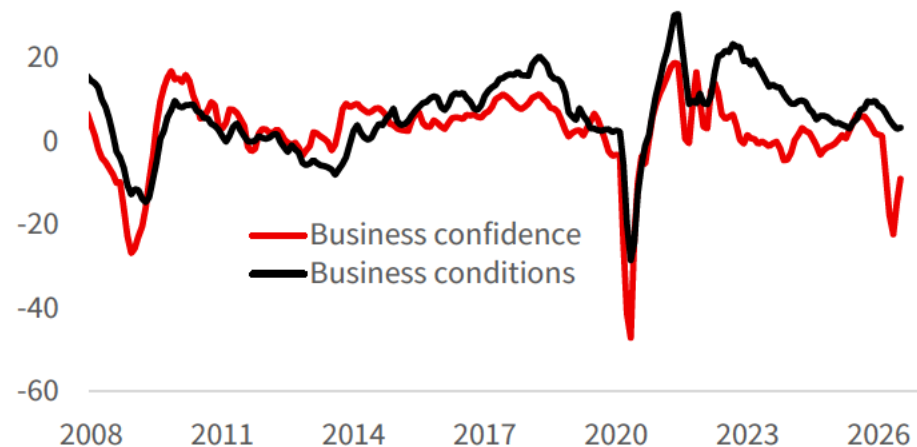
(3) Source: ABS, Macrobond. Data are ABS Building Activity Dwelling completions by state (Trend). Data to March quarter 2026

(4) Source: Cotality. Data to July 2026

Uncertain environment weighing on business on confidence

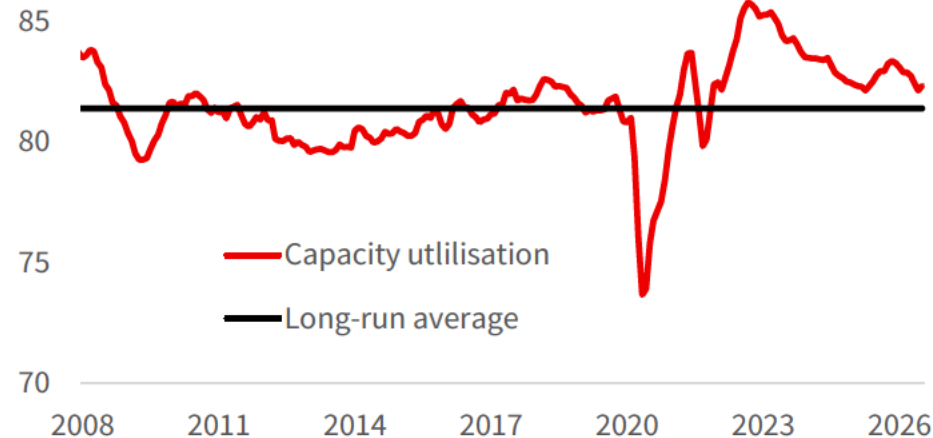
Conditions have eased¹

(Net Bal.)



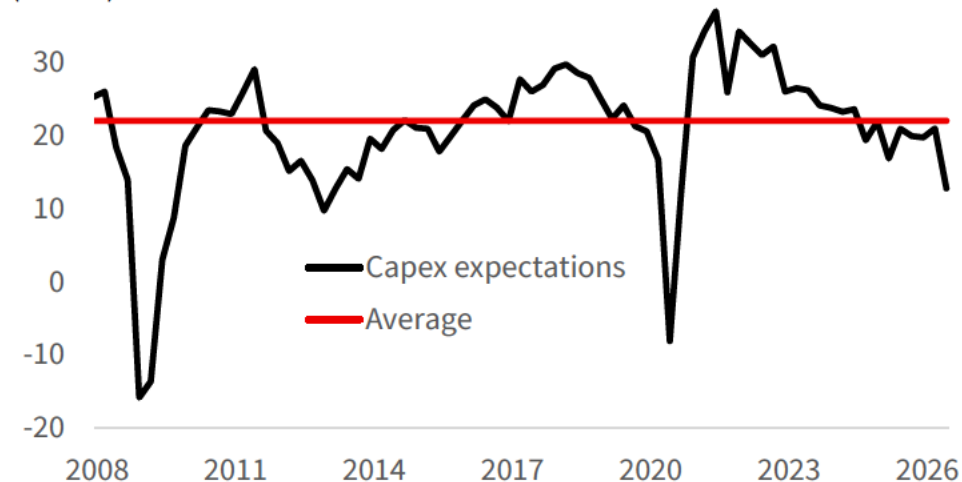
Capacity utilisation is easing¹

(%)



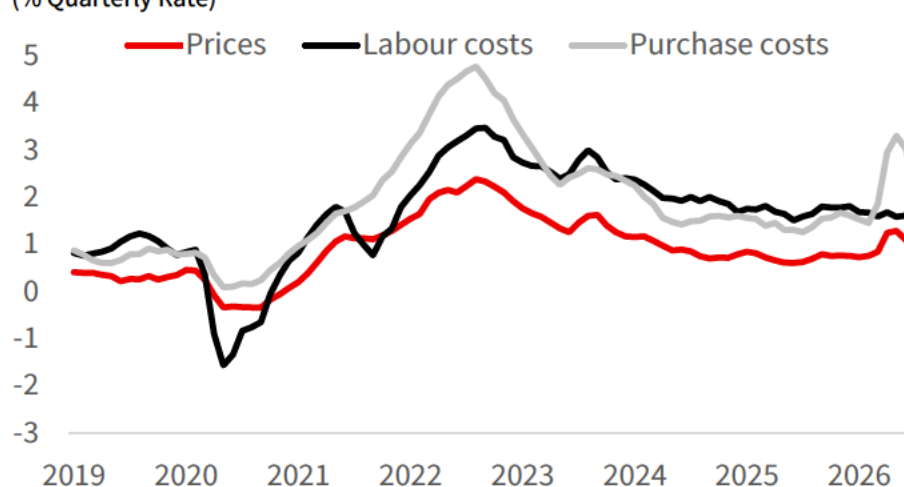
Investment intentions have fallen below average²

(Net Bal.)



Cost growth has been volatile¹

(% Quarterly Rate)



(1) Source: NAB Economics. Three-month moving average of all industry measures from the NAB Monthly Business Survey. Data to July 26

(2) Source: NAB Economics. Data to June quarter 2026

Third Quarter Trading Update

2026

17 August 2026

© 2026 National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686



The June 2026 quarter results are compared with the quarterly average of the March 2026 half year results for continuing operations unless otherwise stated. Revenue, expenses and asset quality are expressed on a cash earnings basis.

3Q26 FINANCIAL HIGHLIGHTS

\$1.81bn

Unaudited statutory net profit
Up 32% v 1H26 qrtly avg⁽ⁱ⁾

\$1.83bn

Unaudited cash earnings⁽ⁱⁱ⁾
Up 2% v 1H26 qrtly avg⁽ⁱⁱⁱ⁾
Up 4% v 3Q25

2%

Revenue growth
v 1H26 qrtly avg
Up 5% v 3Q25

11.93%

**Group Common Equity
Tier 1 ratio (CET1)^(iv)**

(i) Growth rate including large notable item in 1H26.

(ii) Refer to note on cash earnings and underlying profit on page 6.

(iii) Growth rate excluding large notable item in 1H26.

(iv) CET1 capital ratio is on a Level 2 basis.

"NAB's 3Q26 cash earnings increased 2% compared with the 1H26 quarterly average excluding the impact of the Large Notable Item (LNI)⁽ⁱ⁾ in 1H26, primarily driven by lower credit impairment charges (CICs). Underlying profit was stable over the period with good volume growth and well managed margins offset by higher costs which were impacted by seasonality and the flow-on impacts of changes to our software capitalisation policy in 1H26.

We have made further progress this quarter across our key priorities of growing business banking, driving deposit growth and strengthening proprietary home lending. Australian business lending rose 2% including 4% growth from Business & Private Banking (B&PB). Australian home lending grew in line with system excluding the Advantedge run-off⁽²⁾, with drawdowns via proprietary channels improving from 47.7% in 1H26 to 50.9% in 3Q26⁽³⁾. Deposit balances rose 2% including 3% growth in B&PB transaction account balances (excluding offsets).

The combined impacts of the Middle East conflict, higher domestic interest rates and recent tax changes in the Federal Budget are creating challenges and uncertainties for our customers. While the ratio of non-performing loans declined over 3Q26, watch loans were higher reflecting current and potential stress impacting performing customers. Business credit growth has remained robust at this stage, but the Australian home lending market softened in 3Q26 with our applications down 15% compared with 2Q26.

NAB is well placed to manage through this period and support our customers. Our ratio of collective provisions (CP) to credit risk weighted assets (CRWA) sits at 1.36% including almost \$2 billion of forward-looking provisions for potential stress in the outlook. Our CET1 ratio of 11.93% compares with NAB's operating target of greater than 11.25%. We continue to target productivity savings of more than \$450 million for FY26 and for operating expense growth in FY26 to be less than FY25 growth of 4.6%⁽⁴⁾.

Our long term strategy remains focused on achieving much stronger customer advocacy, greater speed and simplicity, and ongoing technology modernisation. This is expected to deliver sustainable growth and attractive shareholder returns."

- **Andrew Irvine** NAB CEO

Supporting our customers & communities

NAB recognised as
the **leading Australian
Corporate & Institutional
relationship bank**⁽ⁱ⁾

Helping Australian customers
protect their families and
homes with free access to
the **Bushfire Resilience Rating
App**, to better understand
and manage bushfire risks
and potentially lower home
insurance premiums

Supporting more accessible
face-to-face banking and
removing communication
barriers for deaf customers
with NAB the first bank in
Australia to offer **in-branch
Auslan interpreting** nationally

Protecting customers and
our bank in an environment
of rising AI-enabled threats
through **NAB Nexus**, a 24/7
integrated operations hub
enabling faster information
sharing and real-time
threat identification

(i) #1 RSI - Coalition Greenwich 2026 Australia Large Corporate Relationship and Transactional Banking Studies.

(1) 1H26 operating expenses included \$1,347 million as an LNI related to the accelerated amortisation charge following a change in the Group's software capitalisation policy.

(2) System refers to APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at Jun 26. Including Advantedge, 3Q26 growth versus system was 0.7x.

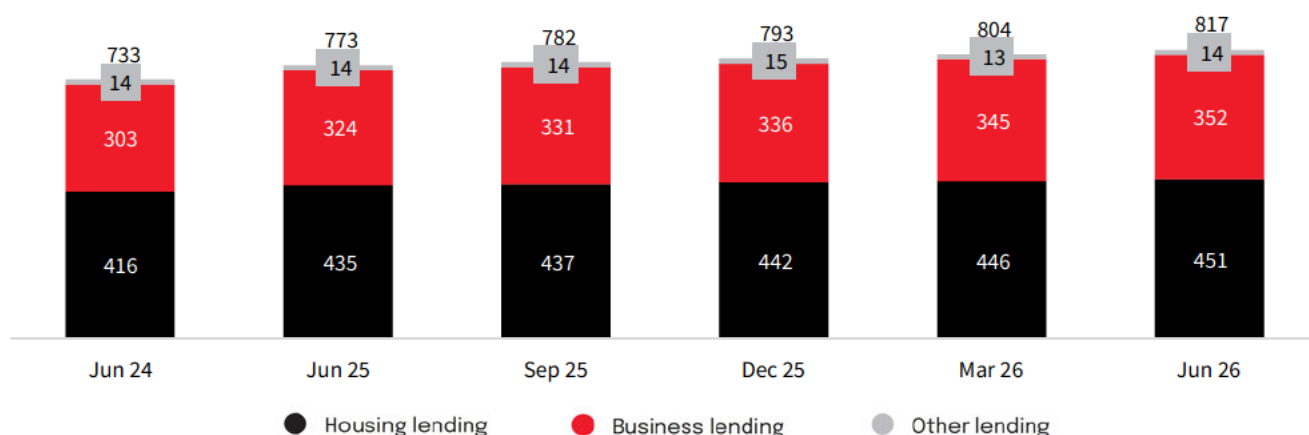
(3) Refers to proprietary home lending drawdowns in Personal Banking and B&PB divisions. Excludes ubank.

(4) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 6. FY26 guidance excluding any large notable items.

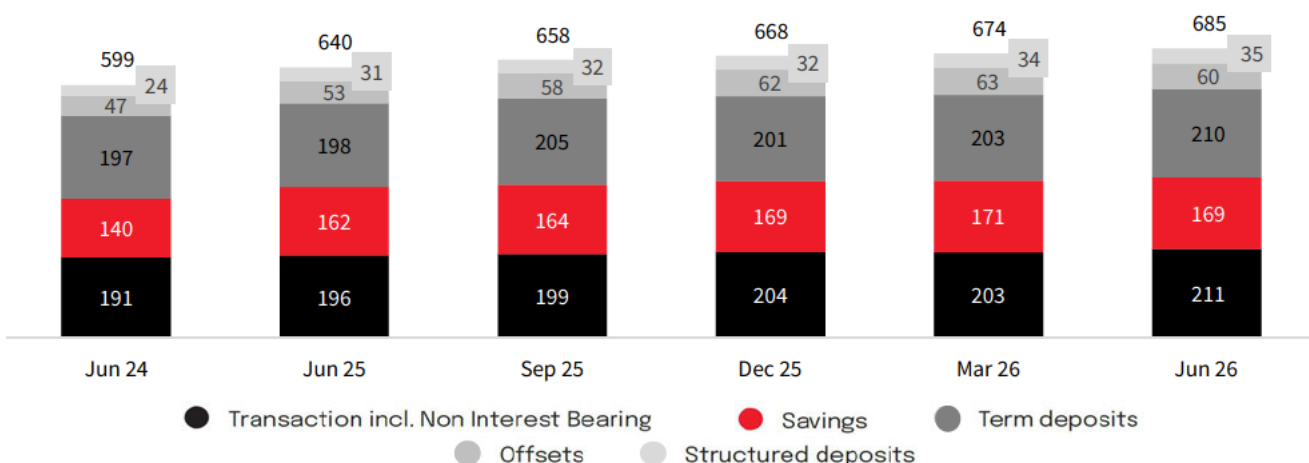
Operating performance

Cash earnings rose 39% compared with the 1H26 quarterly average primarily reflecting the impact of the LNI⁽¹⁾ in 1H26 cash earnings. Excluding the LNI, cash earnings rose 2%, reflecting lower CICs and broadly stable underlying profit. Key drivers of underlying profit include:

- Revenue rose 2%. Excluding Markets & Treasury (M&T) income, revenue increased 3% primarily reflecting volume growth and a higher margin partially offset by the translation impact of a lower average New Zealand dollar.
- Net interest margin (NIM) decreased 2 basis points (bps) to 1.79%. Excluding the impact from M&T, NIM increased 2 bps mainly reflecting higher earnings on deposit and capital replicating portfolios partially offset by lending competition and small deposit impacts.
- Expenses declined 18%. Excluding the LNI in 1H26, expenses rose 4% with a key driver being changes to the Group's software capitalisation policy in 1H26 resulting in a higher proportion of investment spend expensed in 3Q26. Other impacts include higher technology costs, seasonally higher salary costs and investment spend, increased depreciation and amortisation, and higher payroll remediation costs, partially offset by productivity benefits.



Group customer deposits (\$bn)

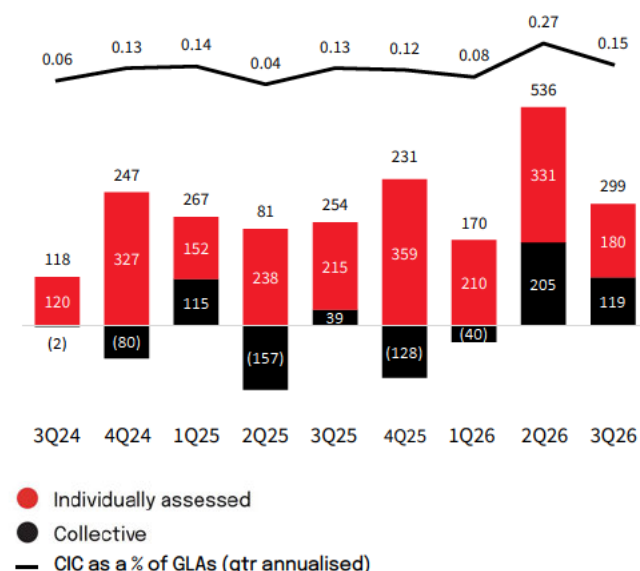


(1) 1H26 operating expenses included \$1,347 million as an LNI related to the accelerated amortisation charge following a change in the Group's software capitalisation policy.

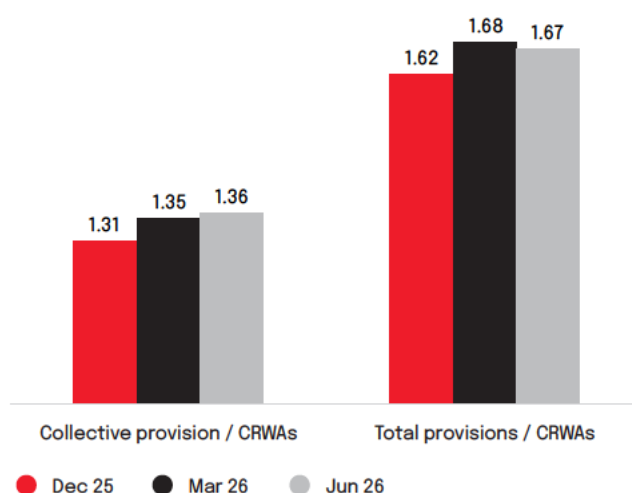
Asset quality

- CICs of \$299 million in 3Q26 include individually assessed provision (IAP) charges of \$180 million and \$119 million of collective provision (CP) charges. The reduction in CICs compared with the 1H26 quarterly average reflects a lower level of IAP charges partly offset by higher CP charges.
- IAP charges of \$180 million primarily relate to Australian unsecured and non-retail portfolios.
- Collective Provision (CP) charges of \$119 million in 3Q26 were driven by business lending volume growth and deterioration in performing book asset quality. There have been no changes to the economic assumptions or scenario weightings used in the Economic Adjustment (EA) or the sector specific assumptions used in the Forward Looking Adjustments (FLAs) during 3Q26; 1H26 included a \$300 million increase relating to a higher downside weighting used in the EA and a top up to sector specific FLAs to reflect potential stress related to the Middle East conflict.
- Compared with March 2026, the ratio of CP to credit risk weighted assets (CRWA) increased by 1 bp to 1.36%.
- The ratio of non-performing exposures to gross loans and acceptances (GLAs) decreased by 2 bps from March 2026 to 1.50%. This includes a 3 bps decrease in the ratio of impaired assets to GLAs reflecting improved outcomes in the Australian and New Zealand business lending portfolios. The ratio of default but not impaired assets to GLAs increased 1 bp compared with March 2026.

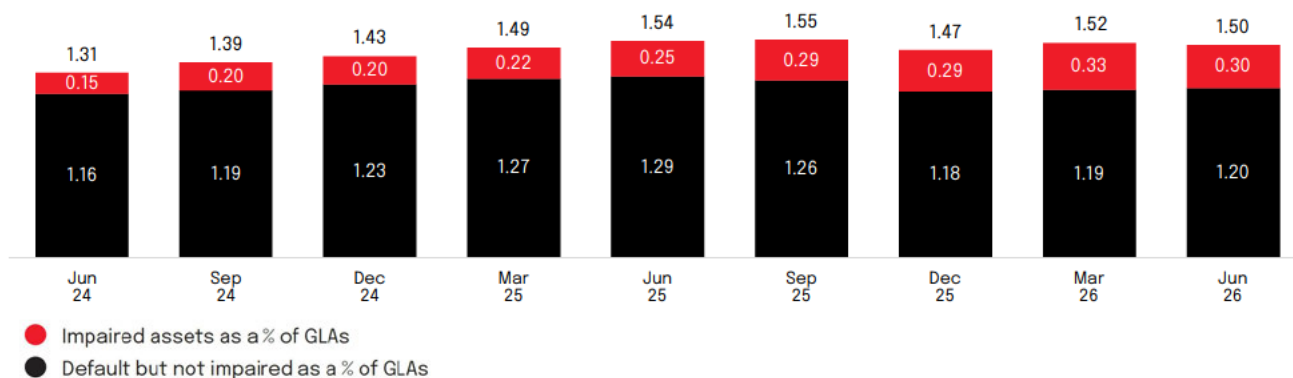
Credit impairment charges (\$m)



Provision coverage (%)



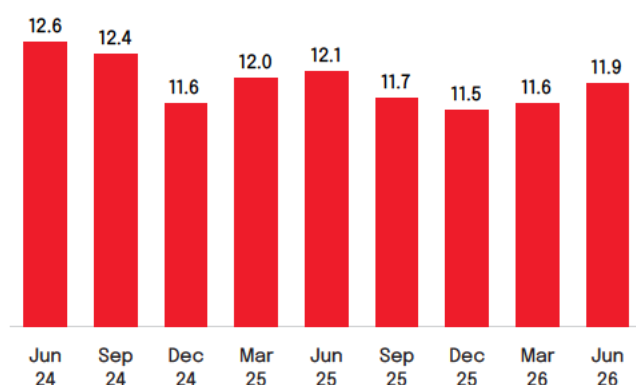
Non-performing exposures / gross loans and acceptances (%)



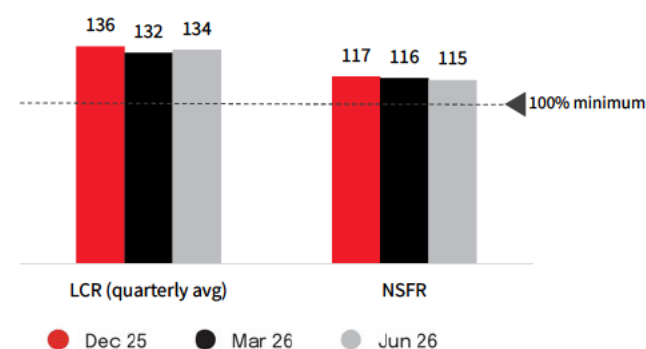
Capital, funding and liquidity

- Group CET1 ratio on a Level 2 basis was 11.93% at June 2026 compared with 11.65% at March 2026. Key drivers of the increase over the period include cash earnings, partially offset by RWA growth of \$3.1 billion.
- There has been no impact on the CET1 ratio in 3Q26 from the FY26 interim dividend (equivalent to -58 bps) or completion of the raising of \$1.8 billion of CET1 capital via the FY26 interim dividend reinvestment plan (equivalent to +40 bps) as these items impact the CET1 ratio in July 2026.
- Level 1 CET1 ratio at June 2026 of 11.89% compared with 11.53% at March 2026.
- The drivers of RWA growth over 3Q26 were CRWA growth (+\$4.3 billion) and an increase in Interest Rate Risk in the Banking Book (IRBBB) RWA (+\$0.5 billion). These were partially offset by a reduction in Market Risk RWA (-\$1.7 billion). There has been no impact from the standardised capital floor adjustment in 3Q26.
- CRWA increase of \$4.3 billion primarily reflects volume growth of \$5.4 billion mainly as a result of business lending, partially offset by translation FX impacts of -\$0.9 billion.
- The Group has raised \$30.2 billion of term wholesale funding (including \$6.1 billion of Tier 2 capital) over the nine months to June 2026.

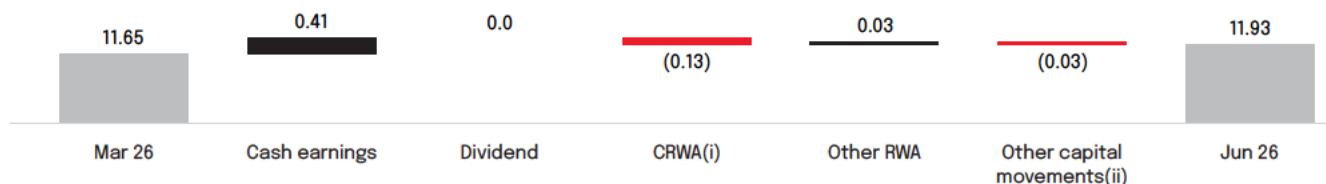
Level 2 Group CET1 ratio (%)



Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) (%)



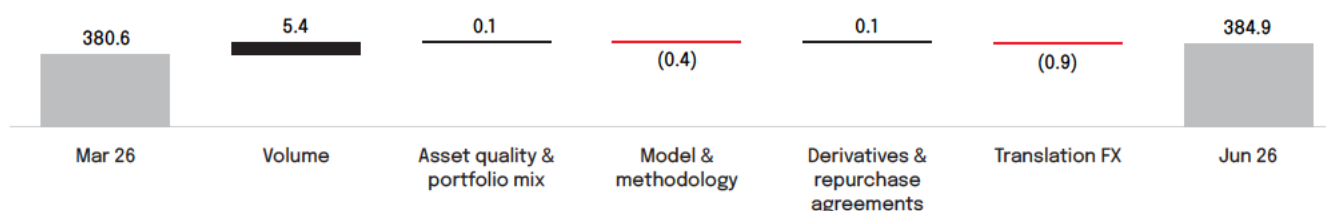
Level 2 Group CET1 ratio Mar 26 – Jun 26 (%)



(i) CRWA excludes foreign exchange translation.

(ii) Other capital movements include reserves, expected loss in excess of eligible provisions, net foreign exchange translation and other miscellaneous items.

Credit Risk Weighted Assets Mar 26 – Jun 26 (\$bn)



Appendix 1: Key financial information⁽ⁱ⁾

	3Q26 \$bn	1H26 Qtr avg \$bn	Movement	
			3Q26 v 1H26 Qtr avg %	3Q26 v 3Q25 %
Group performance results				
Net interest income	4.6	4.6	1	4
Other operating income	0.9	0.9	8	13
Net operating income	5.5	5.4	2	5
Operating expenses excluding large notable items	(2.6)	(2.5)	4	5
Large notable items before tax	-	(0.7)	large	-
Operating expenses	(2.6)	(3.2)	(18)	5
Underlying profit	2.9	2.3	30	6
Credit impairment charge	(0.3)	(0.4)	(15)	18
Cash earnings before income tax	2.6	1.9	39	4
Income tax expense ⁽¹⁾	(0.8)	(0.6)	40	6
Non-controlling interests	(0.0)	(0.0)	(5)	(11)
Cash earnings	1.8	1.3	39	4
Cash earnings excluding large notable items⁽²⁾	1.8	1.8	2	4
Statutory net profit	1.8	1.4	32	9

	Jun 26 \$bn	Mar 26 \$bn	Movement	
			Jun 26 v Mar 26 %	Jun 26 v Jun 25 %
Volumes				
Total gross loans and acceptances	817.4	804.2	2	6
Housing	451.4	445.7	1	4
Business	352.4	345.1	2	9
Other	13.6	13.4	2	(3)
Average interest earning assets ⁽³⁾	1,034.0	1,017.2	2	3
Total customer deposits	685.4	673.5	2	7

(1) Includes the impact of large notable items for the 2026 half year. Refer to Section 1 Group highlights - Large notable items of NAB's 2026 Half Year Results for further information.

(2) Excluding large notable items of \$949m after tax which form part of Corporate Functions and Other division for the 2026 half year. Refer to Section 1 Group highlights - Large notable items of NAB's 2026 Half Year Results for further information.

(3) Reflects quarterly period average apart from Mar 26 which reflects six monthly period average.

(i) Dollar billion values have been rounded to one decimal point. Totals may not add due to rounding. Growth rates are based on actual underlying dollar values (not rounded values).

For further information

Media	Investor Relations
s 47F	

This announcement has been authorised for release by Inder Singh, Group Chief Financial Officer and Group Executive, Strategy.

Disclaimer – forward-looking statements

This announcement contains statements that are, or may be deemed to be, forward looking statements. Forward-looking statements include all statements, other than statements of historical or present facts. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "ambition", "believe", "estimate", "plan", "project", "anticipate", "expect", "goal", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, or guidance on, future earnings and financial position and performance are also forward-looking statements. Users are cautioned not to place undue reliance on such forward-looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the Russia-Ukraine and Middle Eastern conflicts and other geopolitical tensions, the Australian and global economic environment and capital market conditions and changes in global trade policies. Further information is contained in the Group's Annual Report for the 2025 financial year, available at nab.com.au.

Note on cash earnings and underlying profit

The Group's results are presented on a cash earnings basis unless otherwise stated. Cash earnings is a key financial performance measure used by the Group and the investment community. The Group also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Underlying profit represents cash earnings before credit impairment charges, income tax expense and non-controlling interests. Cash earnings and underlying profit are not statutory financial measures, are not presented in accordance with Australian Accounting Standards, and are not audited or reviewed in accordance with Australian Auditing Standards. The 2026 Half Year Results provides details of how cash earnings is defined on page 12 and a discussion of non-cash earnings items and a full reconciliation of cash earnings and underlying profit to statutory net profit attributable to owners of the Company on pages 99 to 101. The Group's financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, and audited (full year) or reviewed (half year) by the Group's auditors in accordance with Australian Auditing Standards, are made available on the Group's website. The 2026 Full Year Results – Management Discussion and Analysis is expected to be made available on or around 5 November 2026.

Record of calls between Treasurer's office and NAB/NAB representatives

Date	Time	Call details
17 Aug 2026	6:04 PM	Outgoing call to Chris Venus, NAB
17 Aug 2026	6:21 PM	Outgoing call to Chris Venus, NAB
18 Aug 2026	10:50 AM	Incoming call from Chris Venus, NAB

Staff name(s) are not included under s22 of the Freedom of Information Act.

5:32

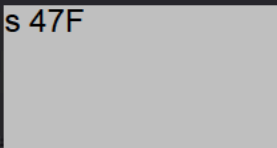
5G 24



iMessage
Encrypted

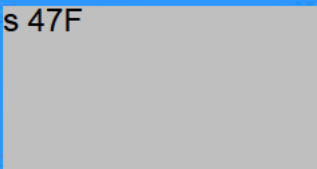
Yesterday 12:09 pm

Hi Claudia, note from our Economics team is now in your inbox. Cheers



Yesterday 3:42 pm

Thanks heaps



Delivered



iMessage



s 22

From: s 47F @nab.com.au>
Sent: Monday, 17 August 2026 6:09 PM
To: s 22 @TREASURY.GOV.AU>
Subject: FW: Macro Monday - Investor lending starting to turn

Hi s 22

Thanks for your call, this is the note from our Economics team that the media has reported on.

Have highlighted the relevant bit in yellow.

Kind regards

s 47F

Corporate Affairs | National Australia Bank
Level 21, NAB Place, 395 Bourke Street, Melbourne VIC 3000
M: s 47F | E s 47F

From: NAB Economics and Markets Research <markets@updates.nab.com.au>
Sent: Monday, 17 August 2026 4:13 PM
To: s 47F @nab.com.au>
Subject: Macro Monday - Investor lending starting to turn

Having trouble viewing this email? [View online](#)

Macro Monday

Last week the RBA left interest rates on hold as was widely expected, though the Governor's press conference continued with a hawkish tone. There were relatively small adjustments to the GDP and inflation forecasts but an upward revision to the unemployment track given the higher starting point. Overall, the forecasts embody a 3-year period of below trend growth in which the unemployment rate rises above the RBA's estimate of the NAIRU (though still remaining below pre-COVID levels) to reach 4.8% by end 2027. Our read of this forecast set is that the RBA now sees a degree of spare capacity opening up in the economy as inflation comes down to 2.5% by mid-2028 – a contrast to the previous forecast iterations which saw growth slowing but little spare capacity opening up as supply and demand in the economy equalised.

Though we expect the RBA will continue to sound hawkish, we see the cash rate remaining unchanged through the rest of 2026 and into 2027, before rates begin to come down gradually, conditional on our forecast of the unemployment rate drifting higher and inflation annualising at around 2.5% by H2 2027.

Labour force data headlines the domestic data this week. We expect the unemployment rate will print at 4.4% - continuing to track a little higher than the ~4.1-4.3% range over the preceding year. The WPI will also be released this week and is expected to rise 0.8% qoq (3.2% yoy) – we don't see this rate of wage growth as inconsistent with inflation at 2.5% though there is likely little room for error above this level.

Charts of the week

Last week the ABS released the lending indicators data for Q2 – these data include the number and value of new loan commitments for both housing and business lending. Of note was the fall in the value of new housing commitments, down 5.2% in the quarter. Investor loan approvals declined by 10.2%, though approvals to owner occupiers were only down 1.9%.

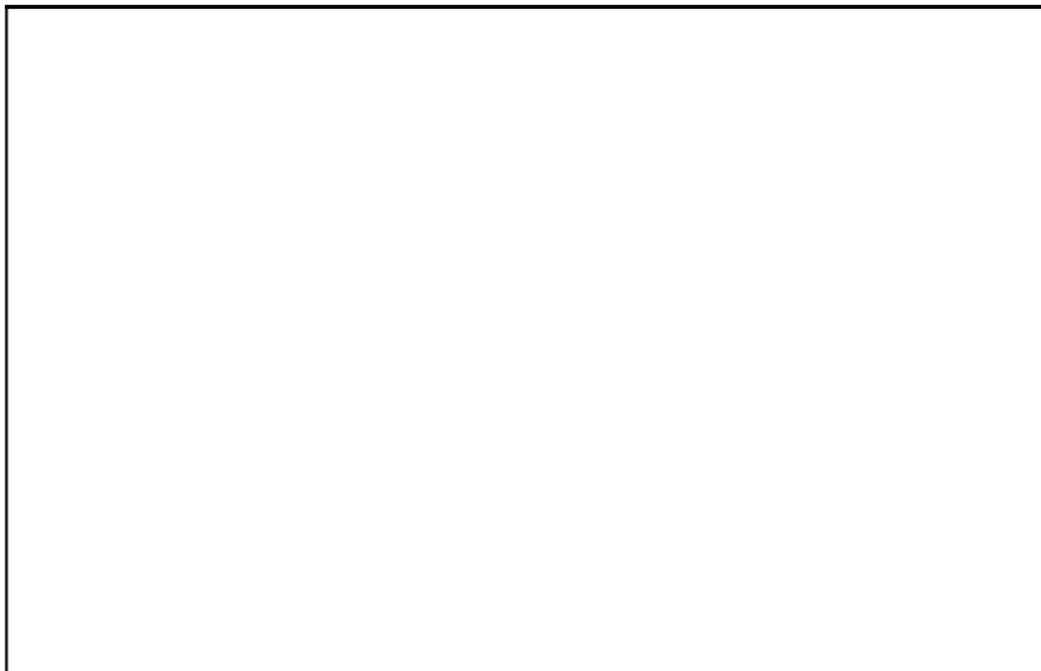
Investor approvals have comprised around 40% of new housing lending over the last couple of years and total credit growth to investors has been running at ~10% yoy through H1 2026. This is the strongest rate of growth since early 2015 when APRA introduced macro-prudential rules to limit the growth of investor lending to 10% yoy.

The fall in demand for investor credit has been relatively swift – interest rates rose in early 2026, the budget changes for investor lending were significant, borrowing capacity was reduced for investors and house prices have been softening. The adjustment to the investor share of lending will likely be ongoing over coming quarters and the investor share of the housing market will likely decline from its current level of about 30% as lending pivots away from investors and towards owner-occupiers and first home buyers.

We forecast a sharp slowing in investor credit growth, that sees a peak to trough decline of over 1% in investor credit through 2027. This is a relatively weak outcome compared to prior cycles in investor credit growth. But until the housing market rebalances and finds new post-Budget clearing prices for both rents and dwelling values, growth in the investor share will likely remain weak.

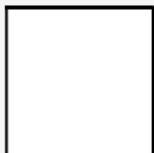
In our view, the changes to the tax settings for investors in existing dwellings imply that gross rental yields will need to rise in order to compensate for the loss of tax benefits. For investment properties in Sydney and Melbourne, a rise in the rental yield of 1ppt (from around ~3.5%) to around 4.5% implies an increase in rents of 25-30%, assuming the current level of house prices is unchanged. In the end, the adjustment towards more attractive gross rental yields will likely require a combination of both higher rents and lower dwelling values. In any case, the bigger picture is that the equation for housing investors has changed substantially and

gross rental yields will need to adjust such that residential housing offers relatively attractive risk-adjusted after-tax returns for investors when compared to comparable investment opportunities in real assets or elsewhere.



Coming up

Domestically, the Labour force data for July and WPI data for Q2 are the headline releases this week. PMIs headline the global data flow, and the monthly China activity data will be released. For more, see [What to Watch](#).



s 47F

This is a subscription to Economy Watch - Australia.

[Manage Preferences](#) | [Unsubscribe](#) | [New Customer](#) | [Internal Research Portal](#)

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please [Click Here](#) to view our disclaimer and terms of use. Please [Click Here](#) to view our NAB Financial Services Guide.

(l:722167521, 30026)

■

Report suspicious and spam emails via the Phish Alert Report button
Report suspicious NAB-branded SMS to 047 NAB 0003 (0476 220 003)
Report suspicious calls to phish@nab.com.au
Learn more at [go/groupsecurity](https://go.groupsecurity)

The information contained in this email communication may be confidential. If you have received this email in error, please notify the sender by return email, delete this email and destroy any copy.

Any advice contained in this email has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this email, National Australia Bank Limited (**NAB**) recommends that you consider whether it is appropriate for your circumstances. If this email contains reference to any financial products, NAB recommends you consider the Product Disclosure Statement (PDS) or other disclosure document available from NAB, before making any decisions regarding any products.

s 22

From: s 47F @nab.com.au>
Sent: Tuesday, 18 August 2026 12:09 PM
To: Crawford, Claudia <Claudia.Crawford@TREASURY.GOV.AU>; s 22 @TREASURY.GOV.AU>; s 22 @TREASURY.GOV.AU>; s 22 @TREASURY.GOV.AU>
Subject: FW: AUS: Consumer sentiment rises again but remains soft

Hi Claudia, s 22

Please find below an updated from our Economics team, further to their commentary late yesterday.

I have highlighted the part which will be of most interest.

Please let me know if you have any questions or would like to discuss.

Kind regards

s 47F

Corporate Affairs | National Australia Bank
Level 21, NAB Place, 395 Bourke Street, Melbourne VIC 3000
M: s 47F | E: s 47F

From: NAB Economics and Markets Research <markets@updates.nab.com.au>
Sent: Tuesday, 18 August 2026 11:59 AM
To: s 47F @nab.com.au>
Subject: AUS: Consumer sentiment rises again but remains soft

Having trouble viewing this email? [View online](#)



AUS: Consumer sentiment rises again but remains soft

Key points

- Consumer sentiment rose for a second consecutive month in August, rising by 6.0% mom to 88.9.
- However, sentiment remains 1.8% below pre-conflict levels.
- The improvement was broad-based across all sub-components.
- However, perceptions of family finances over the past year were particularly strong, despite higher fuel prices.

Detail

The Westpac–Melbourne Institute Consumer Sentiment Index rose by 6.0% to 88.9 in August, this follows a 4.1% increase in July. However, sentiment remains 1.8% below February levels (pre-conflict).

The improvement in sentiment was broad-based across all subcomponents. Perceptions of 'family finances relative to a year ago' rose by a strong 12.6% mom, even as fuel prices increased after the fuel excise cut ended on 2 August. 'Expectations of family finances over the next 12 months' rose by a more modest 1.8% mom although this followed a 13.4% rise in the prior month. However, both measures remain weaker than a year ago, especially looking ahead, with expected 'family finances over the next year' down 8.1% yoy.

At the same time, easing concerns around higher interest rates may have also helped a little. Consumer expectations for variable mortgage rates over the next 12 months fell by 2.3% in August. This series is not a part of the overall index.

Sentiment around the economy improved, with expected 'conditions over the next 12 months' up 5.8% mom and 'over the next five years' up 3.2% mom. Even so, sentiment around the near-term outlook remains pessimistic and is around 16.4% below its pre-pandemic average (2000 to 2019). Consumers are less pessimistic further out, with the five-year outlook 7.5% below that average.

The 'time to buy major household items' index increased by 8.1%. The 'time to buy a dwelling' index has also continued to recover, up by 12.1% in August, as is now back at levels last seen at late 2025. At the same time, the house price expectations index fell a further 6.1% and is now 36% below its February 2026 peak.

Elsewhere, the unemployment expectations index partly reversed last month's fall, to be 4.4% higher in August. This suggests that more consumers expect the unemployment rate to move higher over the year ahead.

Note:

The adjustment in the housing market is clearly ongoing and today's consumer confidence data shows that a larger percentage of survey respondents now think it a good time to buy a dwelling. As we noted in yesterday's Macro Monday report ([see here](#)), the market is in the process of recalibrating the gross rental yield that is now required to make investment in existing residential property attractive under a new set of taxation arrangements. Rental yields can move higher either because 1) rents rise; 2) dwelling prices fall; or 3) some combination of both higher rents and lower dwelling prices. In yesterday's note, we outlined one possible scenario which assumed that the adjustment in gross rental yields took place in an environment of unchanged dwelling prices. This was not a forecast and it is important to note that we do not forecast rental yields. In reality, the adjustment will likely take place via a combination of lower dwelling prices and higher rents. This scenario is more reflective of our modal forecast for the housing market in coming quarters and should have been more clearly stated in yesterday's note.

Table 1

 The following information is provided for informational purposes only and does not constitute an offer or recommendation by the issuer.

Chart 1

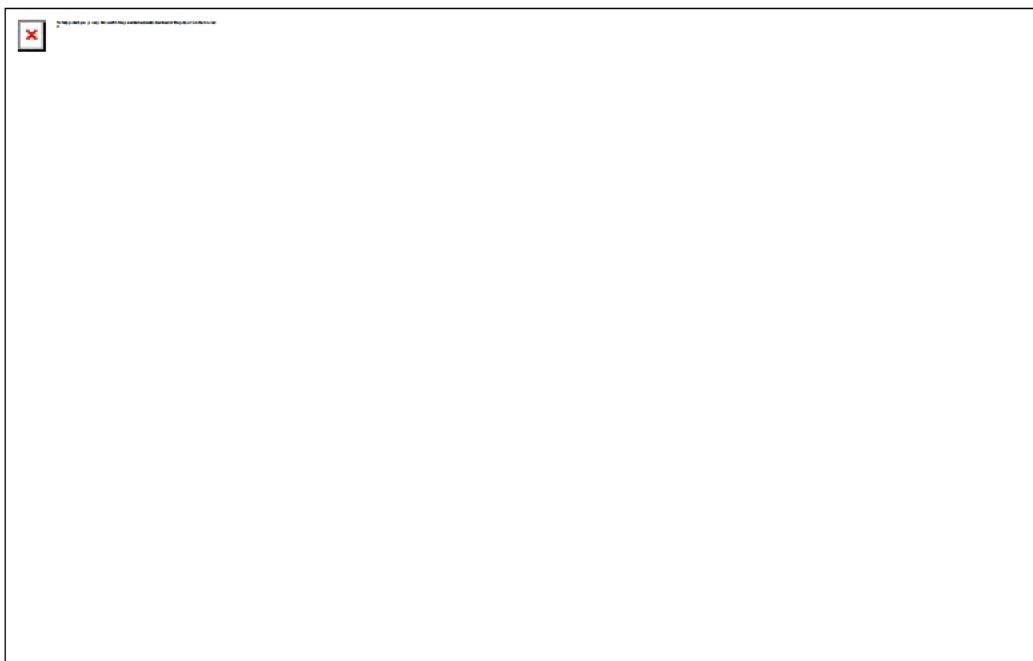


Chart 2

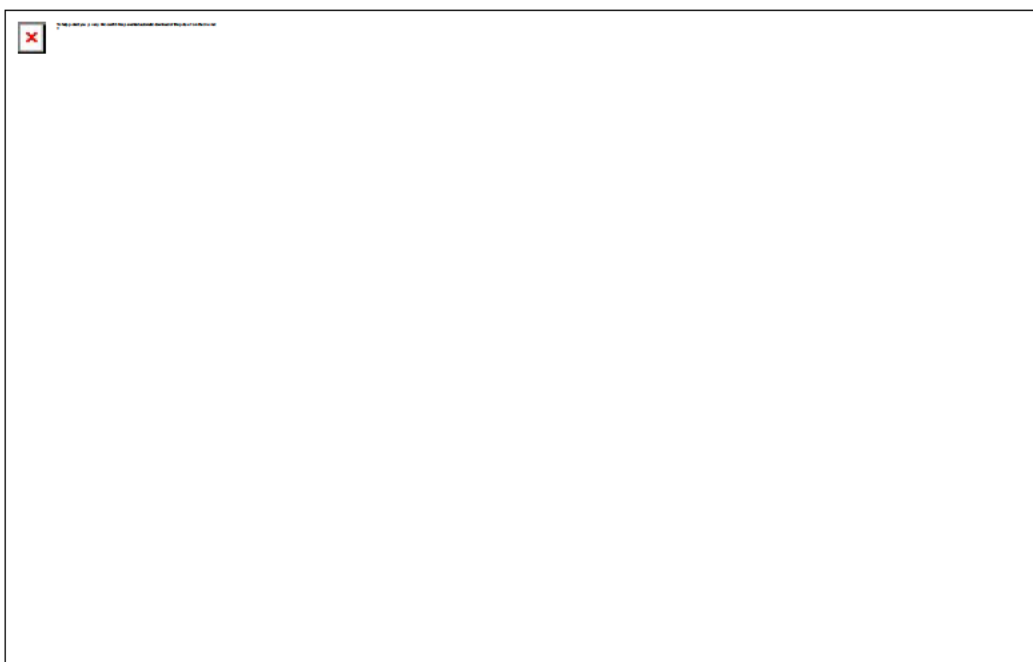


Chart 3

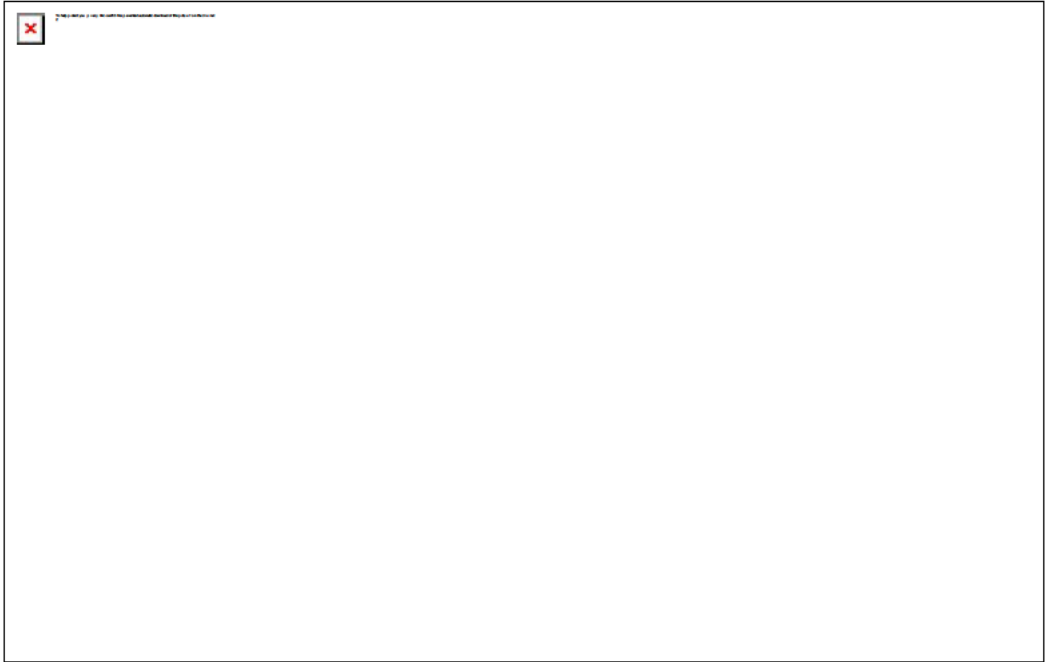
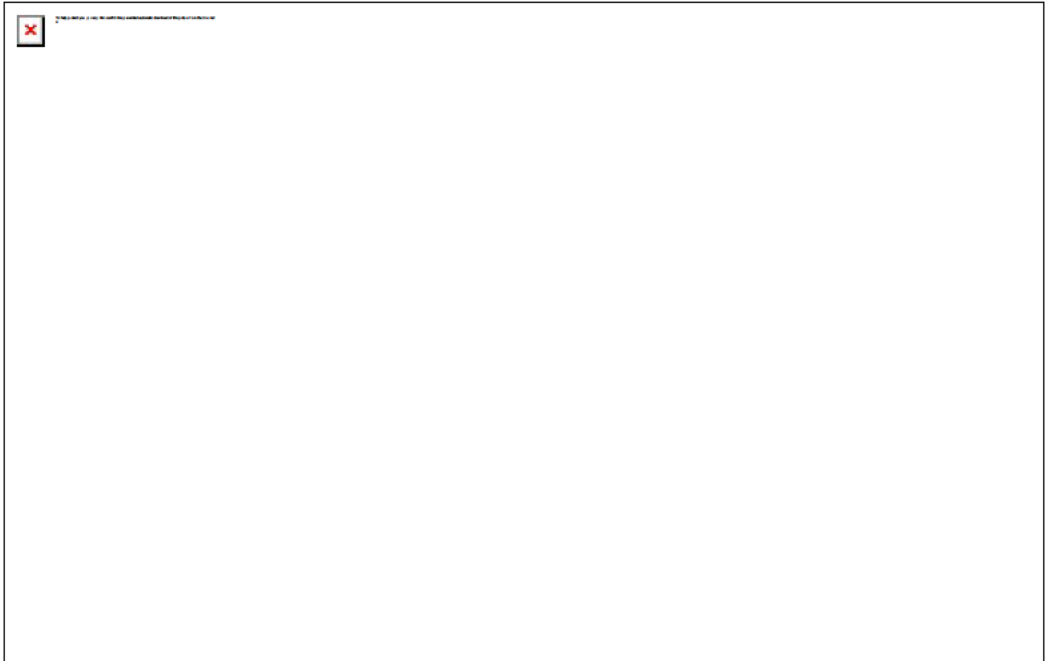
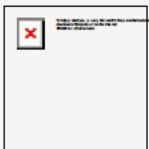


Chart 4



s 47F





s 47F

This is a subscription to Economy Watch - Australia.

[Manage Preferences](#) | [Unsubscribe](#) | [New Customer](#) | [Internal Research Portal](#)

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please [Click Here](#) to view our disclaimer and terms of use. Please [Click Here](#) to view our NAB Financial Services Guide.

(I:22167521, 30026)

Report suspicious and spam emails via the Phish Alert Report button
Report suspicious NAB-branded SMS to 047 NAB 0003 (0476 220 003)
Report suspicious calls to phish@nab.com.au
Learn more at [go/groupsecurity](https://go.groupsecurity)

The information contained in this email communication may be confidential. If you have received this email in error, please notify the sender by return email, delete this email and destroy any copy.

Any advice contained in this email has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this email, National Australia Bank Limited (**NAB**) recommends that you consider whether it is appropriate for your circumstances. If this email contains reference to any financial products, NAB recommends you consider the Product Disclosure Statement (PDS) or other disclosure document available from NAB, before making any decisions regarding any products.