GDP Q2 2026

Overview

Seasonally adjusted real GDP rose by 0.4% in Q2 2026, slightly above both the 0.3% expected by markets and recorded in the previous quarter. Annual GDP growth slowed to 2.1% from 2.5% in Q1, while the consensus forecast was for a sharper slowdown to 1.8%.

Over the entirety of 2025-26, real GDP rose by 2.4%, faster than in the previous two financial years.

Real GDP per capita was unchanged in Q2 and rose by 0.8% in the entirety of 2025-26.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.4	2.1
GDP (Expenditure, Real)	0.3	2.0
GDP (Production, Real)	0.5	2.2
GDP (Income, Nominal)	0.8	5.1
Real Gross Domestic Income	0.0	2.0
Nominal GDP	0.8	5.3
Terms of Trade	-1.6	-0.5
GDP Deflator	0.4	3.1

Expenditure

Half of GDP growth in Q2 came from the 0.4% increase in household consumption, mostly in discretionary categories, especially in vehicle purchases as households continued to switch to electric and hybrid vehicles.

General government consumption and net exports also made small positive contributions.

Meanwhile, gross fixed capital formation and changes in inventories detracted from growth.

Private investment was neutral for growth, as positive contributions from dwelling investment and non-dwelling construction were offset by a decline in machinery and equipment investment following the previous quarter's data centre-driven surge.

Production

From the production perspective, positive contributions to growth came from mining; financial and insurance services, as well as professional, scientific and technical services. These gains were partly offset by a negative contribution from manufacturing.

Income (Current Prices)

From the income perspective, nominal GDP rose by 0.8%, with the largest contribution coming from a 1.5% increase in compensation of employees.

Hours, Productivity and Unit Labour Costs

Hours worked rose by 0.4% in Q2, with the same increase in both the market and non-market sectors.

GDP per hour worked was unchanged, while gross value added per hour worked edged up by 0.2% in the market sector and declined by 0.1% in the non-market sector.

Real non-farm unit labour costs rose by a solid 0.8% in Q2, similar to the previous quarter, while annual growth remained subdued at just 0.6%.

Real Income

Real net national disposable income per capita, an economic wellbeing measure that adjusts real gross domestic income for income flows with the rest of the world and consumption of fixed capital, declined by 0.4% in Q2 but was little changed over the year.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose by a seasonally adjusted 0.4% in Q2 and by 3.1% over the year. A 0.8% QoQ increase in domestic prices was partly offset by a 1.6% QoQ decline in the terms of trade.

Real Domestic Final Demand

Final demand rose in Western Australia, Queensland and Tasmania; was unchanged in New South Wales and South Australia, and declined in Victoria.

Western Australian state final demand rose by a solid 1.0% in the quarter and 3.6% through the year.

Almost all the major expenditure categories contributed to growth in Western Australian state final demand, with public gross fixed capital formation the main exception as it continues to consolidate at a high level. In contrast to the national result, private investment, including in machinery and equipment, increased in Q2.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	1.0	3.6
New South Wales	0.0	3.5
Victoria	-0.3	2.9
Queensland	1.1	3.8
South Australia	0.0	2.8
Tasmania	0.1	-3.2
Australia	0.3	3.1

Comment

The Q2 GDP report was slightly stronger than expected by both the market and the RBA. Growth was also marginally above, but close to, the RBA's 2% estimate of potential output growth. GDP growth is clearly slowing, indicating that demand pressures, while ongoing, are easing.

At the same time, the national accounts confirmed ongoing, though not acute, cost pressures in the economy, with another solid quarterly increase in unit labour costs and a slight acceleration in domestic price growth. This is another hawkish development for the RBA, following the July CPI and household spending reports.

Following the Q2 GDP report, expectations of an RBA cash rate hike intensified further, with a 25bps increase nearly 70% priced in for late September and fully priced in for November. We now expect that, if the run of hawkish news continues, the RBA will deliver another cash rate hike, most probably in November, once it has received the full Q3 inflation data, though a September hike is still likely.

2 September 2026

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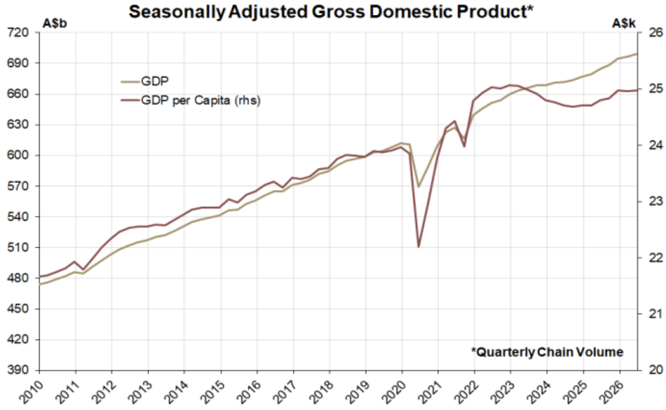
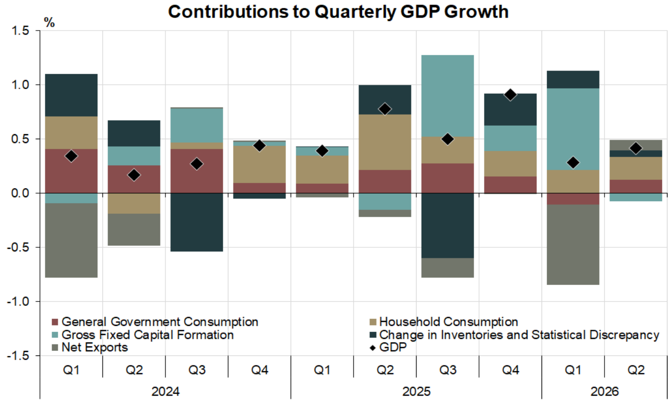
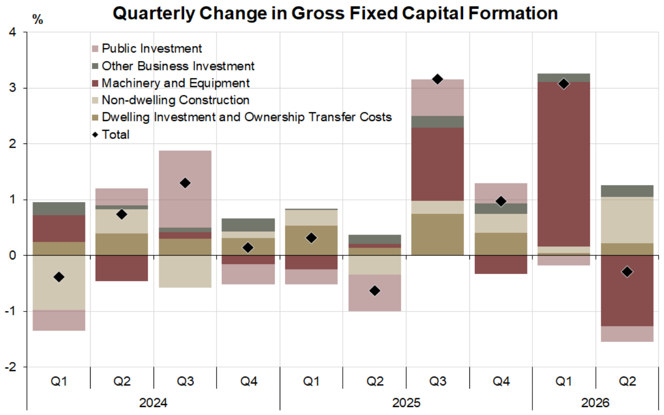
Real GDP continues to rise in absolute terms but has stagnated on a per capita basis.



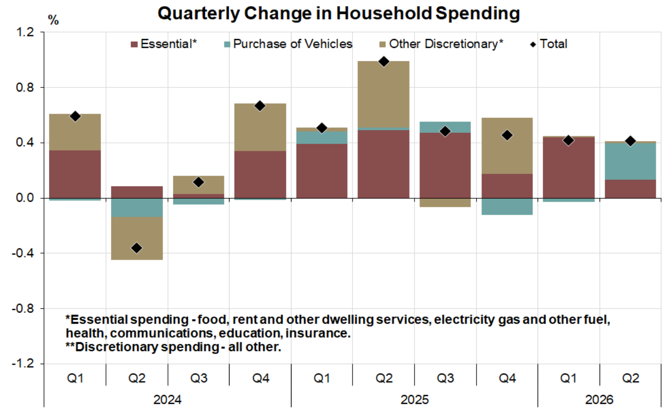
Most spending categories contributed positively to growth in Q2, with investment the notable exception.



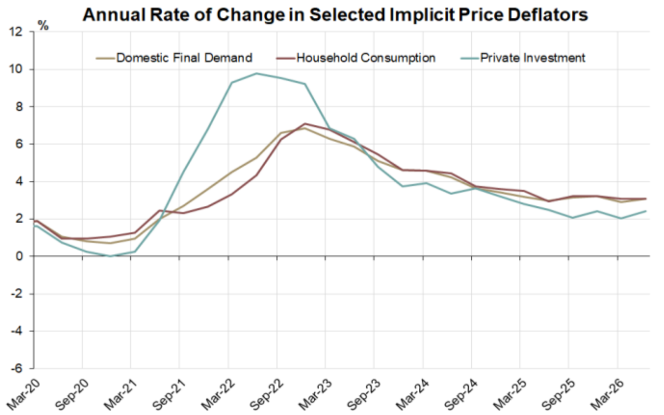
The decline in investment was driven mainly by a setback in machinery and equipment, particularly data centres.



Household spending rose at a similar pace to the previous quarter, driven largely by electric vehicle purchases.



Domestic price pressures increased marginally, but remain well below their 2022 peaks.



Unit labour costs recorded another solid quarterly increase, but annual growth remains contained.