ECONOMIC INDICATORS

GDP Q3 2025

Overview

Seasonally adjusted real GDP rose 0.4% in Q3 2025, significantly less than the 0.7% expected by the markets and registered in the previous quarter (revised from 0.6%). The annual growth rate edged up to 2.1% from the upgraded 2.0% in Q2 (originally 1.8%). Real GDP per capita was flat in Q3, and up by just 0.4% YoY.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.4	2.1
GDP (Expenditure, Real)	0.5	2.0
GDP (Production, Real)	0.3	1.9
GDP (Income, Nominal)	1.7	5.3
Real Gross Domestic Income	0.4	2.0
Nominal GDP	1.7	5.4
Terms of Trade	0.3	-0.2
GDP Deflator	1.3	3.3

Expenditure

The slowdown in quarterly GDP growth in Q3 resulted from a deceleration in household spending growth to 0.5% from 0.9% in Q2, when consumers took advantage of the end-of-financial-year sales and the ultra-long Easter-Anzac Day weekend. Overall, household spending added 0.3ppts to Q3 GDP growth, instead of 0.5ppts in Q2.

A 3.2% rise in private business investment contributed 0.4ppts to GDP growth in Q3. This was thanks to a 7.6% surge in spending for machinery and equipment amid expansion of data centres. Dwelling investment rose 1.8%, adding 0.1ppts to growth, while a 3.0% rise in public investment contributed 0.2ppts.

Changes in inventories (-0.5ppts) and net exports (-0.1ppts) both detracted from GDP growth in Q3.

Production

Most industries added to GDP growth in Q3, with construction seeing the strongest increase of 1.8%, though there were declines in four of the 19 industries. A 1.8% fall in mining output was the biggest drag on headline growth.

Income (Current Prices)

By the income approach, GDP rose by 1.7% in nominal terms, with half of the gain from compensation of employees (+1.7%). Taxes less subsidies on production and imports increased by 1.9%, while gross operating surplus (mainly corporate profits) picked up by 1.0%.

Hours Worked, Productivity and Unit Labour Costs

Hours worked rose by 0.2% in Q3, with a 0.2% increase in the market sector and a 0.3% increase in the non-market sector. Productivity picked up by 0.2%, but solely thanks to the non-market sector that saw a 0.3% gain, while productivity in market sector was flat in the quarter. Through the year, productivity was up by 0.7%, with a 1.0% increase in market sector and 0.3% decline in non-market sector.

Real non-farm unit labour costs ticked up by just 0.1% in Q3, to be up by 2.2%.

Real Income

Real net national disposable income per capita, an economic wellbeing measure that adjusts real gross domestic income for both income flows with the rest of the world and the consumption of fixed capital, was unchanged in Q3, to be 0.4% up through the year.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose by 1.3% in Q3, the most since late 2023, to be up by 3.3% YoY, a level unseen since mid-2024. This was mainly due to a rise in the terms of trade. Price growth for domestic demand ticked up to 0.8% QoQ and stopped decelerating in annual terms, remaining at 3.0% YoY.

Real Domestic Final Demand

Final domestic demand rose in all states except for Tasmania (-2.9%). The largest gain was recorded in Queensland, which saw a particularly strong rise in machinery and equipment (11.9%).

Western Australian state final demand rose by 1.0%, to be up by 3.1% YoY. Public investment surged by 7.7%, after a setback in the previous two quarters. There was also a considerable 1.7% rise in private investment led by dwelling investment (though solely in alterations and additions) and ownership transfer costs. Household spending picked up by 0.3% in Q3.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	1.0	3.1
New South Wales	1.4	2.6
Victoria	1.3	2.2
Queensland	1.5	3.1
South Australia	1.0	3.6
Tasmania	-2.9	-2.4
Australia	1.2	2.6

Comment

The Q3 GDP report came out weaker than expected, but it does not necessarily mean that the RBA monetary policy outlook has changed.

First, the downside surprise was due to a setback in discretionary household spending after a spending spree in the previous quarter. Second, the report brought further evidence that price pressures may have stopped easing, also in the domestic economy.

There were some intriguing details in the Q3 GDP report behind the headline figures. This was not just a surge in data centres, but also the inclusion of rooftop solar electricity in national accounts. Solar electricity was found to have saved Aussie households over A$3.0b in 2024-25.

Markets continue to expect no more easing from the RBA, with expectations for tightening building up. We reckon that the RBA might be done with cuts, too, but any rate hike calls are premature at this stage.

3 December 2025

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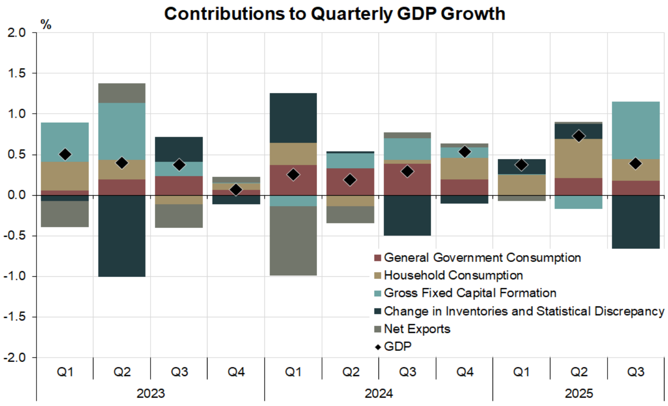
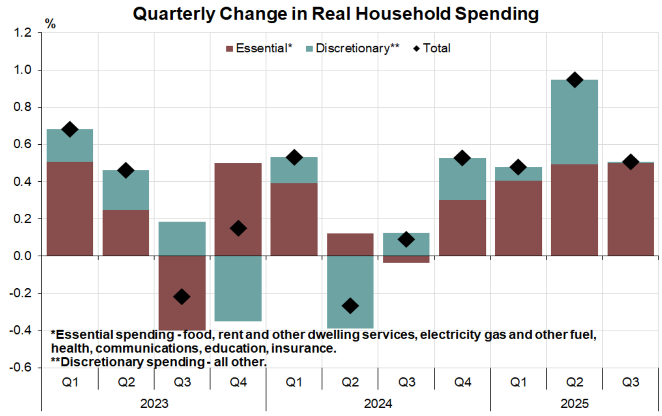
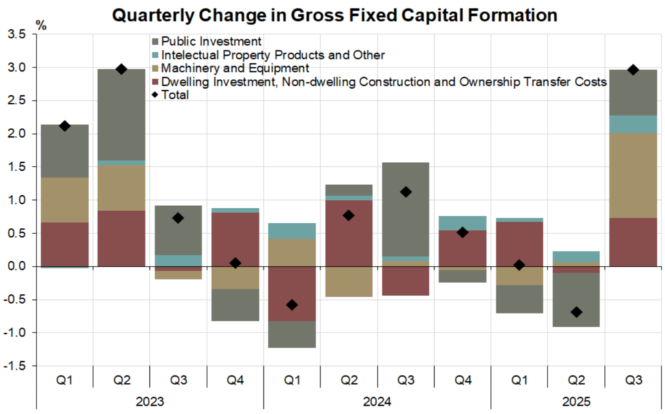
Real GDP growth slowed down in Q3, amid a setback in private consumption…



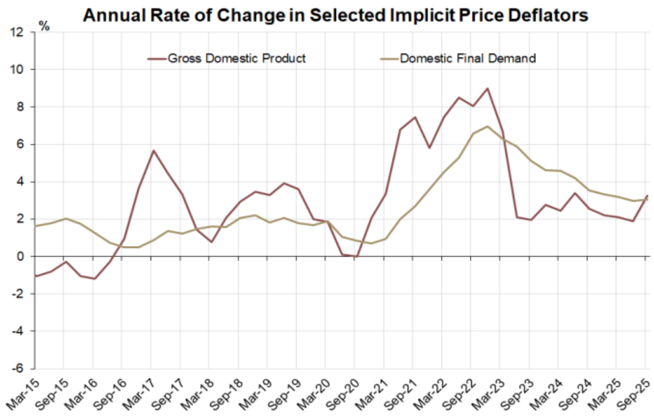
… particularly of discretionary spending, which followed a spending spree in the previous quarter.



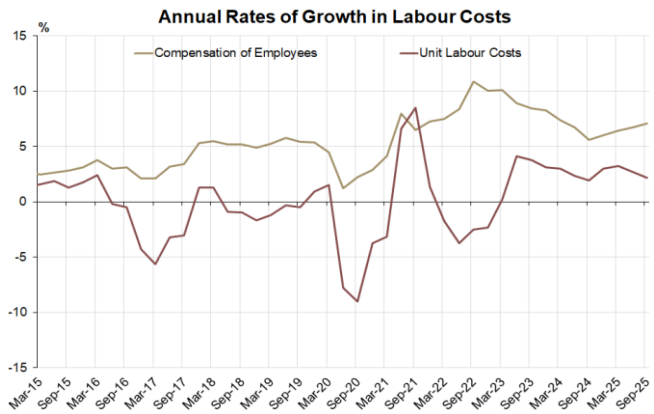
This was offset by a bounce in investment driven by spending for machinery and equipment in data centres.



Price pressures, while well off their 2022 peak, appear to have stopped easing.



Compensation of employees is again rising faster, but growth in unit labour costs has decelerated…



… as productivity is improving, but remains sluggish, at levels comparable with a decade ago.