GDP Q2 2025

Overview

Seasonally adjusted real GDP rose by 0.6% in Q2 2025 (mkt exp. 0.5%) against 0.3% in Q1 (revised from 0.2%).

Annual GDP growth accelerated to 1.8%, from the upwardly revised 1.4% in Q1 (originally 1.3% YoY). In the entirety of 2024-25, real GDP rose by 1.3%.

Per capita GDP rose by 0.2%, its second increase in the last three quarters, to be up by 0.2% YoY.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.6	1.8
GDP (Expenditure, Real)	0.5	2.0
GDP (Production, Real)	0.7	1.7
GDP (Income, Nominal)	0.7	4.1
Real Gross Domestic Income	0.3	1.2
Nominal GDP	0.7	4.1
Terms of Trade	-1.0	-2.4
GDP Deflator	0.0	2.2

Expenditure

The largest 0.4ppts contribution to the expenditure measure of GDP growth came from a 0.9% rise in household consumption, helped among others by higher out-of-pocket expenses for electricity caused by the timing of energy bill relief measures.

Government consumption also brought a significant contribution to growth (+0.2ppts), driven by a 1.0% gain amid higher national spending.

Dwelling investment was neutral for growth in Q2, with just a 0.3% gain, while business investment, changes in inventories and public investment slightly detracted from growth.

Net exports added 0.1ppts to real GDP growth in Q2.

Production

Mining contributed around a half to real GDP growth in Q2, with a 2.3% gain. Slight positive 0.1ppts contributions came also from wholesale trade (+1.5%), transport, postal and warehousing (+1.7%), financial and insurance services (+1.1%), education and training (+1.4%) as well as health care and social assistance (+0.7%). Other industries made little or negative contributions to growth.

Income (Current Prices)

From the income perspective, the strongest positive contribution came from compensation of employees (+0.5ppts; 1.1%). The gross operating surplus added 0.1ppts to growth, despite a slight decline in profits of non-financial private corporations.

Hours Worked, Productivity and Unit Labour Costs

Hours worked rose by 0.3% in Q2, with a 0.2% gain in the market sector. However, relatively strong GDP growth saw productivity pick up by 0.3% if measured by GDP per hour worked, and by 0.5% if measured by gross value added per hour worked in the market sector. Real non-farm unit labour costs picked up by 0.8% in Q3.

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, rose by 0.1% in Q3, to be up by only 0.4% through the year.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose by 0.1% in Q2, to be up 2.2% YoY, as a quarterly drop in the terms of trade was more than offset by a rise in domestic prices.

Real Domestic Final Demand

The final demand rose in all states in Q2, both in quarterly and annual terms.

The strongest quarterly gain of 4.7% was registered in Tasmania, reflecting a 63.4% surge in public gross fixed capital formation amid a 150.9% bounce in state and local public corporations. Victoria saw the weakest quarterly gain of 0.4%.

Tasmania and Victoria were also the two extremes in annual terms, with their respective state final demand measures gaining 5.4% YoY and 1.7% YoY.

Western Australian state final demand rose by 0.5% in Q2, to be up by 2.9% YoY. The strongest positive contribution to growth both in quarterly and annual terms came from household consumption, as households had largely used up the state and Commonwealth energy bill relief.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	0.5	2.9
New South Wales	0.5	1.8
Victoria	0.4	1.7
Queensland	0.7	2.4
South Australia	0.7	3.3
Tasmania	4.7	5.4
Australia	0.5	2.2

Comment

The Q2 GDP growth rates surprised to the upside, reflecting a stronger-than-expected gain in private consumption. Aside from the timing of energy bill relief measures, there was also a significant role for the end-of-financial-year sales, which propped up spending for durable goods as shown in retail sales reports.

The flipside of the rise in consumer spending in Q2 is the 1.0ppt drop in the household saving rate, to 4.2%. This is still somewhat higher than in 2023 and 2024, when saving rates were generally below 3.0%.

The annual rate of GDP growth in Q2, of 1.8%, was somewhat stronger than the 1.6% forecast by the RBA in its August projection round. Given this, RBA cash rate cut expectations were scaled back a little, but the probability of a November cut remains above 70%.

3 September 2025

ECONOMIC INDICATORS

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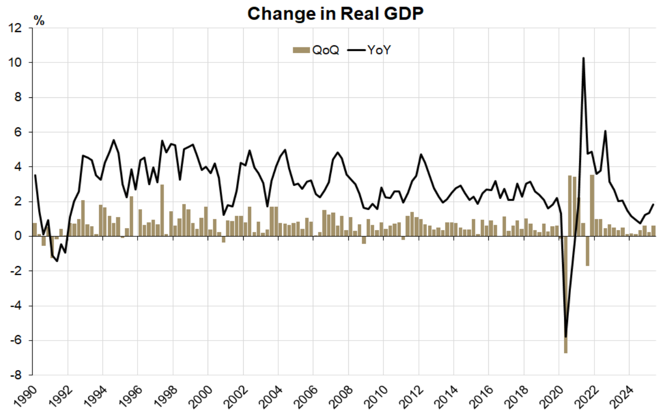
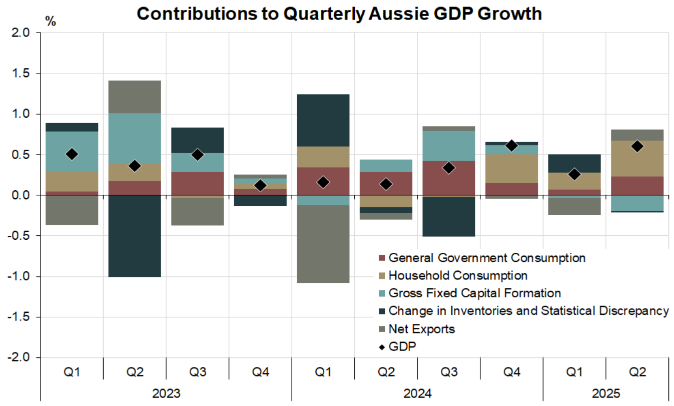
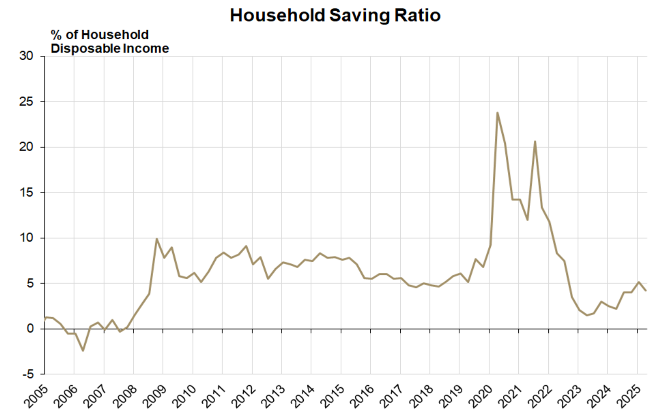
Real GDP growth accelerated in Q2, both in quarterly and annual terms…



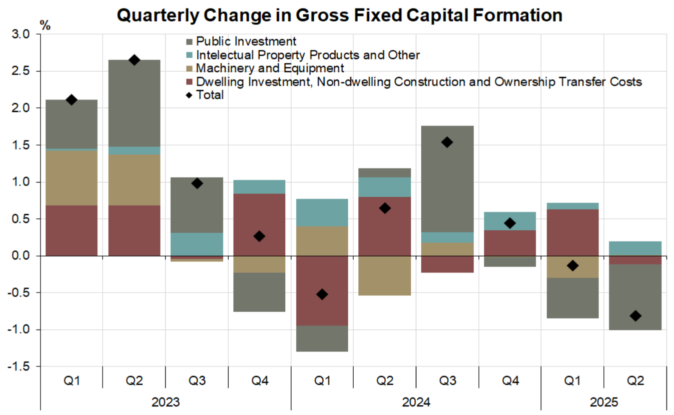
… with household consumption bringing the largest positive contribution.



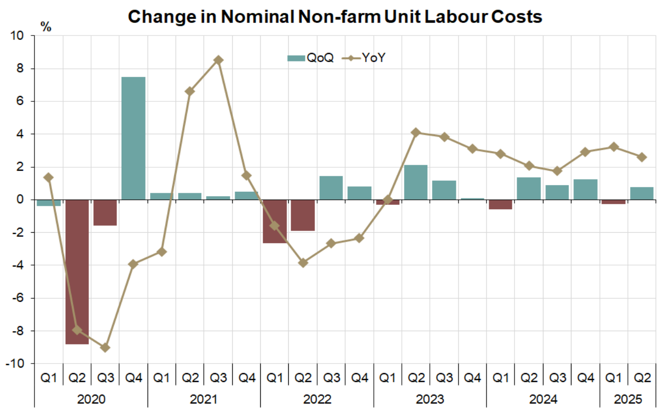
The flipside of a rise in consumption was a decline in the savings ratio, albeit to a level above the 2023 lows.



At the same time, lower public and dwelling investment dragged on gross fixed capital formation in Q2.



At the same time, unit labour costs growth decelerated in Q2, but remained somewhat faster than a year ago.



Implicit price inflators show that, while easing significantly, price pressures remain above pre-COVID levels.