

## Overview

Seasonally adjusted real GDP rose by 0.3% in Q1, slightly less than the 0.4% pencilled in by the market consensus and the 0.9% registered in the previous quarter (upgraded from 0.8%).

The annual growth rate remained at 2.5% (revised downward from 2.6%).

Real GDP per capita ebbed by 0.1% in the quarter, but remained 1.0% up through the year.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.3	2.5
GDP (Expenditure, Real)	0.2	2.6
GDP (Production, Real)	0.3	2.5
GDP (Income, Nominal)	0.6	5.2
Real Gross Domestic Income	0.5	2.5
Nominal GDP	0.6	5.3
Terms of Trade	1.2	0.2
GDP Deflator	0.3	2.7

## Expenditure

The largest contribution to GDP growth in Q1 came from business investment (+0.6ppts), which was concentrated in machinery and equipment (+23.9% QoQ) amid the development of data centres over east.

Household consumption was the second strongest contributor to growth (+0.3ppts), with a 0.5% gain led by essential spending.

Public investment (+0.9%) added 0.1ppts to growth, while dwelling investment (+0.7%) and government consumption (-0.2%) were both neutral to growth.

Net exports detracted 0.8ppts from growth in Q1.

## Production

Growth in gross value added was recorded in 14 out of 19 industries. The strongest gain of 1.6% was in professional, scientific and technical services, while mining saw the largest decline at 1.5%.

## Income (Current Prices)

From the income approach, GDP rose by 0.6% in nominal terms, with most of the increase coming from a 1.2% gain in the compensation of employees.

## Hours Worked, Productivity and Unit Labour Costs

Hours worked picked up by 0.9% in Q1, with a 1.0% gain in the market sector and a 0.6% increase in the non-market sector.

As a result, productivity fell by 0.6% if measured by GDP per hour worked and 0.7% when measured by gross value added per hour worked in the market sector, but remained 0.3% and 0.4% up through the year, respectively.

Real non-farm unit labour costs rose by 0.6% in Q1, to be up by 0.5% YoY.

## 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 little changed for the second quarter in a row, with the annual rate of growth slowing back to 0.5%.

## GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose by a seasonally adjusted 0.3% in Q1, to be up by 2.7% YoY. This came as the terms of trade picked up by 1.2% QoQ and 0.2% YoY, while the domestic price deflator increased by 0.5% QoQ and 2.9% YoY.

## Real Domestic Final Demand

The final demand rose in all states except for Tasmania (-0.7%). Growth ranged between 0.5% in most states and 1.8% in New South Wales, which received a particularly strong boost from the construction of data centres.

Western Australian state final demand picked up by 0.5% in Q1, to be up by 2.8% through the year. There were increases in private sector investment (+1.1%), household spending (+0.7%) and public investment (+0.2%). At the same time, general government spending eased by 1.0% after four quarters of decent gains.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	0.5	2.8
New South Wales	1.8	4.6
Victoria	0.9	3.5
Queensland	0.9	3.1
South Australia	0.5	3.8
Tasmania	-0.7	2.1
Australia	1.0	3.5

## Comment

The Q1 GDP report was slightly weaker than expected, reflecting a drag from net trade amid higher fuel imports.

If it had not been for investment in data centres over east, growth would have turned negative in Q1.

Household consumption also added a bit to growth, but it was mainly essential spending on food, transport and electricity after energy bill relief measures expired. Households appear to have scaled back spending on discretionary items after the US-Iran war started and the RBA resumed interest rate hikes.

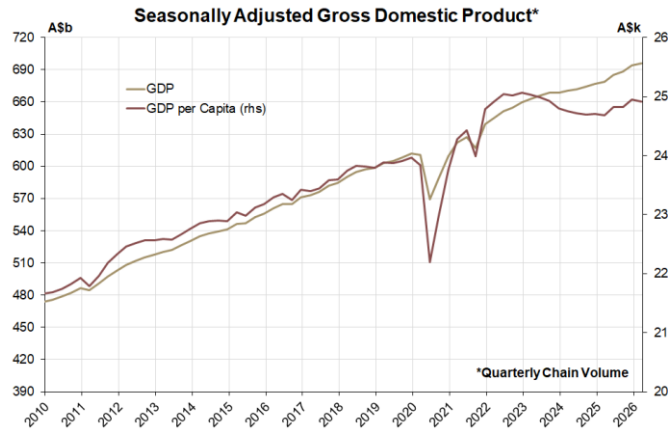
The increased spending on essential items was partly at the cost of accumulation of savings or lower transfers to offset accounts. The savings ratio declined back to 6.2% in Q1, after spiking to 7.0% in the previous quarter.

The Q1 report strengthened the case for the RBA staying put at this point, but further hikes from the RBA cannot be completely ruled out if there is evidence of second-round effects from higher fuel prices.

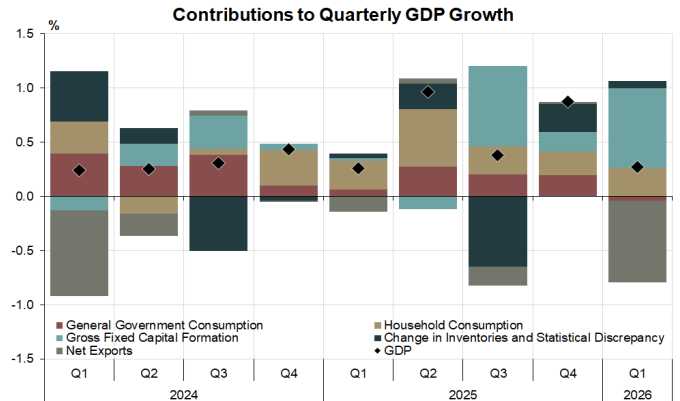
**3 June 2026**

# GDP Q1 2026

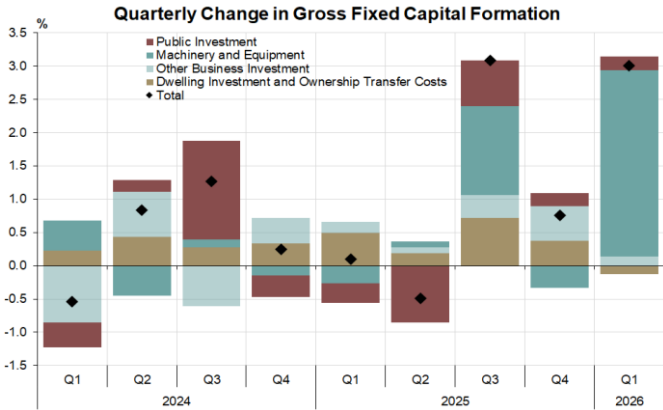
Real GDP continues to climb in absolute terms, but resumed declining in per capita terms.



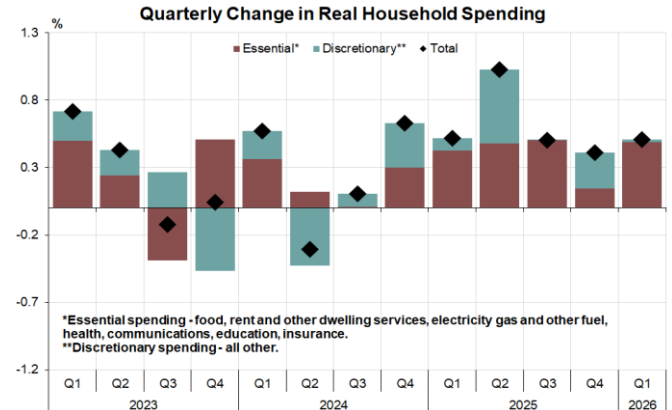
If it had not been for strong growth in investment, GDP would have fallen in absolute terms in Q1, as well.



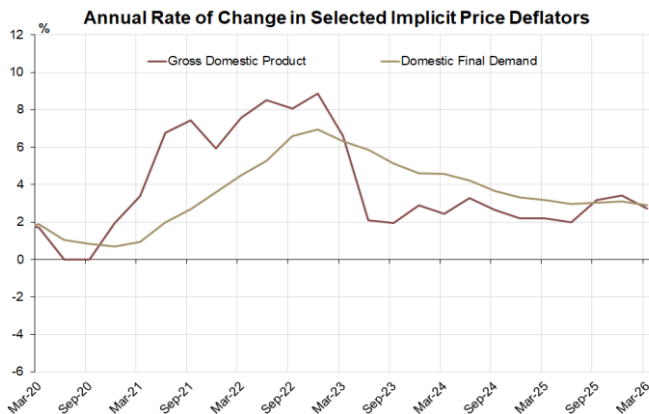
The solid gain in investment was fuelled by machinery and equipment amid the construction of data centres.



Essential spending, mainly on food, transport and electricity, was solely responsible for consumption growth.



So far, there is no evidence that price pressures are spreading across the economy.



Productivity growth is again moving in the wrong direction, which might exacerbate price pressures over time.

