GDP Q4 2025

Overview

Seasonally adjusted real GDP rose by 0.8% in Q4 2025, in line with market expectations, while the Q3 gain was revised slightly upwards to 0.5% from 0.4%. The annual growth rate increased to 2.6%, the highest since early 2023, exceeding market expectations of a 2.3% YoY rise.

GDP per capita picked up by 0.4%, to be up by 0.9% YoY.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Real GDP	0.8	2.6
GDP (Expenditure, Real)	0.8	2.7
GDP (Production, Real)	0.8	2.4
GDP (Income, Nominal)	1.8	5.9
Real Gross Domestic Income	0.9	2.2
Nominal GDP	1.8	6.0
Terms of Trade	0.4	-1.1
GDP Deflator	1.0	3.3

Expenditure

Half of the GDP growth came from a rise in inventories, with particularly strong gains in public authorities amid the accumulation of non-monetary gold, as well as in mining due to higher production and the replenishment of coal inventories.

Gross fixed capital formation overall rose by 0.7% and added 0.2ppts to GDP growth. Within private investment, there were gains in dwellings (0.6%) and non-dwelling construction (1.3%), with the latter propped up by spending for data centres. Public investment picked up by 0.9%, reflecting ongoing expenditure for health and transport infrastructure.

Government consumption also contributed 0.2ppts to GDP growth with a 0.9% increase amid higher spending for health, education, police and defence, as well as energy bill relief measures. Household consumption rose by 0.3% and added only 0.1ppts to GDP growth.

Net exports detracted 0.1ppts from GDP growth in Q4.

Production

Gross value added rose in 17 out of 19 industries, with the strongest 0.3ppts contribution coming from a 2.6% QoQ increase in mining. Agriculture, forestry and fishing also saw a solid 2.5% QoQ gain amid increased grain and livestock production, adding 0.1ppts to GDP growth.

Income (Current Prices)

From the income approach, GDP rose by 1.8% QoQ in nominal terms, with the strongest 0.7ppts contribution coming from a 1.4% QoQ rise in employee compensation.

Hours Worked, Productivity and Unit Labour Costs

Hours worked rose by 0.7% QoQ, the most since Q3 2024, both in the entirety of the economy and the market sector. GDP per hour worked, a measure of productivity, stagnated in Q4, as a 0.3% QoQ gain in the market sector was offset by a 0.7% QoQ decline in the non-market sector.

Real non-farm unit labour costs declined by 0.8% QoQ and 0.1% 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, increased by 0.1% QoQ and 0.9% YoY.

GDP Price Deflator

The GDP price deflator, the broadest measure of inflation in the economy, rose by 1.0% in Q4, to be up by 3.3% YoY, the same as in the previous quarter. There was a slight acceleration in the annual rate of domestic price growth, to a three-quarter high of 3.1%.

Real Domestic Final Demand

The real final demand rose in all states in Q4, with quarterly growth rates ranging from 0.1% in Queensland to 1.2% in South Australia, which also recorded the fastest annual growth rate of 5.0%.

Western Australian state final demand rose by 0.5% in Q4, while the annual rate of growth slowed 0.2ppts to 3.2%. Positive contributions from private consumption (0.5% QoQ) and private investment (1.8% QoQ) were partly offset by a 7.0% QoQ fall in public investment from a high level in the previous quarter.

Seasonally Adjusted Chain Volume, %	QoQ	YoY
Western Australia	0.5	3.2
New South Wales	0.6	2.6
Victoria	0.7	2.7
Queensland	0.1	3.0
South Australia	1.2	5.0
Tasmania	0.3	2.8
Australia	0.5	2.9

Comment

The GDP report for the final quarter of 2025 came in largely in line with market expectations, though the annual rate of growth surprised to the upside, reflecting an upward revision to the Q3 outcome.

More importantly, however, some of the major expenditure components of GDP came in below the RBA estimates from the most recent Statement on Monetary Policy released a month ago. Private consumption growth turned out to be 2.4% YoY instead of 3.1% YoY. Public demand declined by 0.9% over the year to Q4, while the RBA expected a 2.2% gain.

Cash rate hike expectations eased somewhat following the Q4 GDP report, with a March hike again expected by very few, and the May hike not fully priced in. The next important piece of information for the monetary policy outlook will be the January household spending indicator report scheduled for release tomorrow. It will provide guidance about the resilience of private consumption growth, which – according to the RBA – was one of the factors contributing to the upside surprise in inflation in late 2025.

4 March 2026

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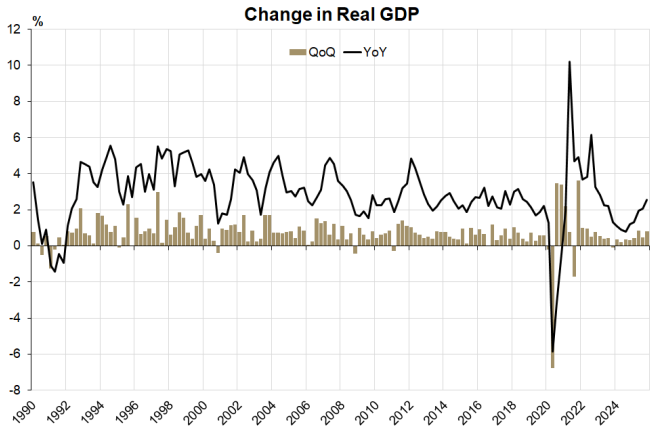
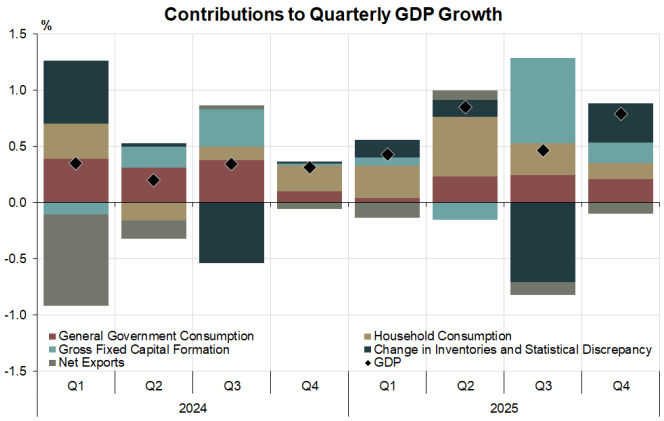
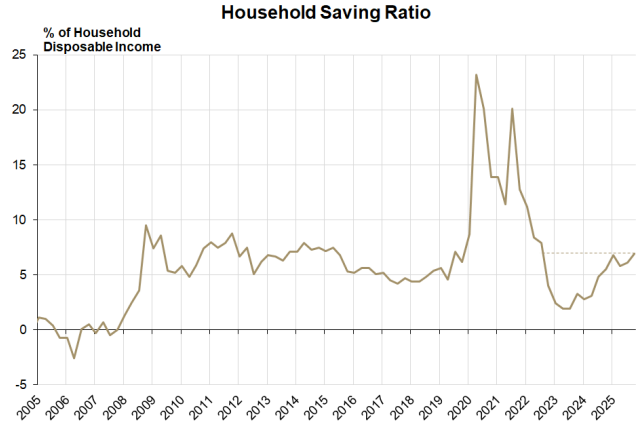
GDP saw a solid gain in Q4, which helped the annual growth rate increase to the highest level in three years.



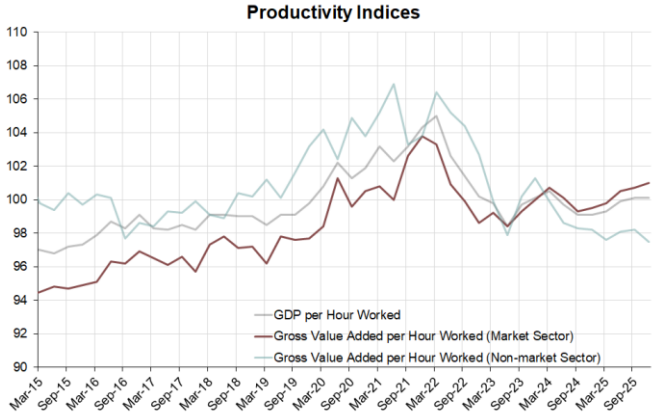
However, half of growth came from higher inventories, while investment and consumption growth slowed.



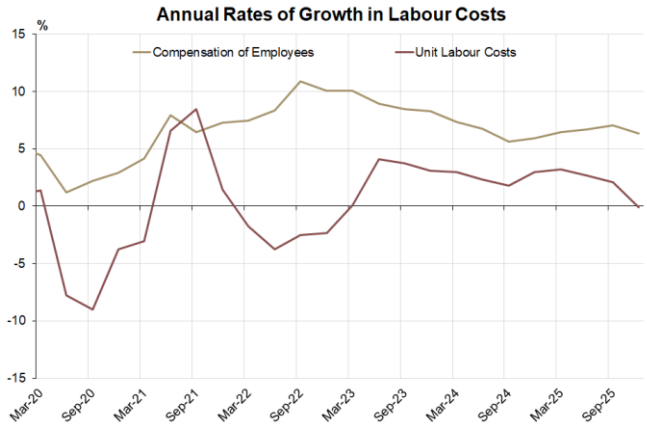
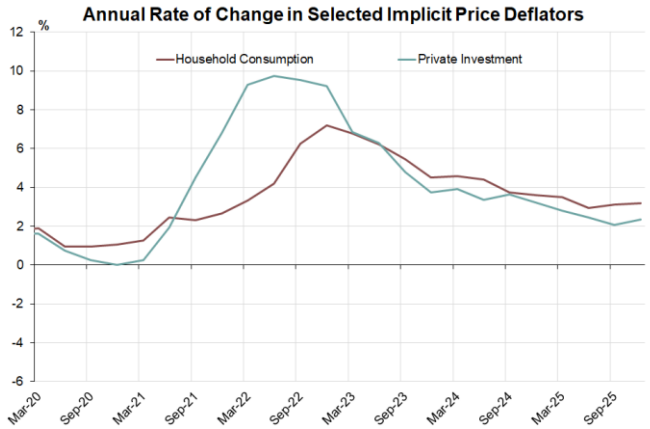
Households appear to have saved some of the windfalls from tax cuts, energy bill relief and lower interest rates.



Market sector productivity appears to be gaining steam, reaching the highest level since 2022.



Labour market does not appear to be adding much to cost pressures in the economy.



Despite slight acceleration in Q4, price pressures in the economy also appear quite contained.