



Australian National Accounts

A recovery, albeit a slow one

June 2025 | 3 September 2025



Shape the future
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From the Chief Economist

The National Accounts showed an economy in recovery, albeit an excruciatingly slow one.

The best news was the consumer story, which has been reinforced by interest rate cuts. Two per cent growth in household consumption is the best result in two years and helped by the fortunate squeezing of Easter and ANZAC Day holidays together, end of year sales and new product launches. These collectively are a sign many households were willing to part with some hard-earned cash. Not so good was the strong flu-season, leading to increased spending on health care and social assistance services while also lifting government spending on Medicare and the Pharmaceutical Benefits Scheme. Households had to spend a bit more on utilities, especially in Western Australia and Queensland, as electricity rebates were reduced in the quarter.

More troubling in the June quarter was the business investment story, which has been lagging for some time. Private business investment rose just 1.0 per cent in the non-mining industries over the last year, while in the mining industry it fell 2.7 per cent.

As a share of GDP, business investment is just 12.3 per cent of GDP: lower than the March quarter result and not far above the pandemic low of 11.1 per cent or the 1990s recession low of 10.6 per cent of GDP. Similarly, company profits have been edging down as share of GDP for three years and business confidence measures remain soft.

Although there are some areas of strength, such as construction related to data centres, the outlook remains mediocre across most other sectors. These figures emphasise the need for fresh sources of inspiration for the business sector, against a challenging international economic backdrop.

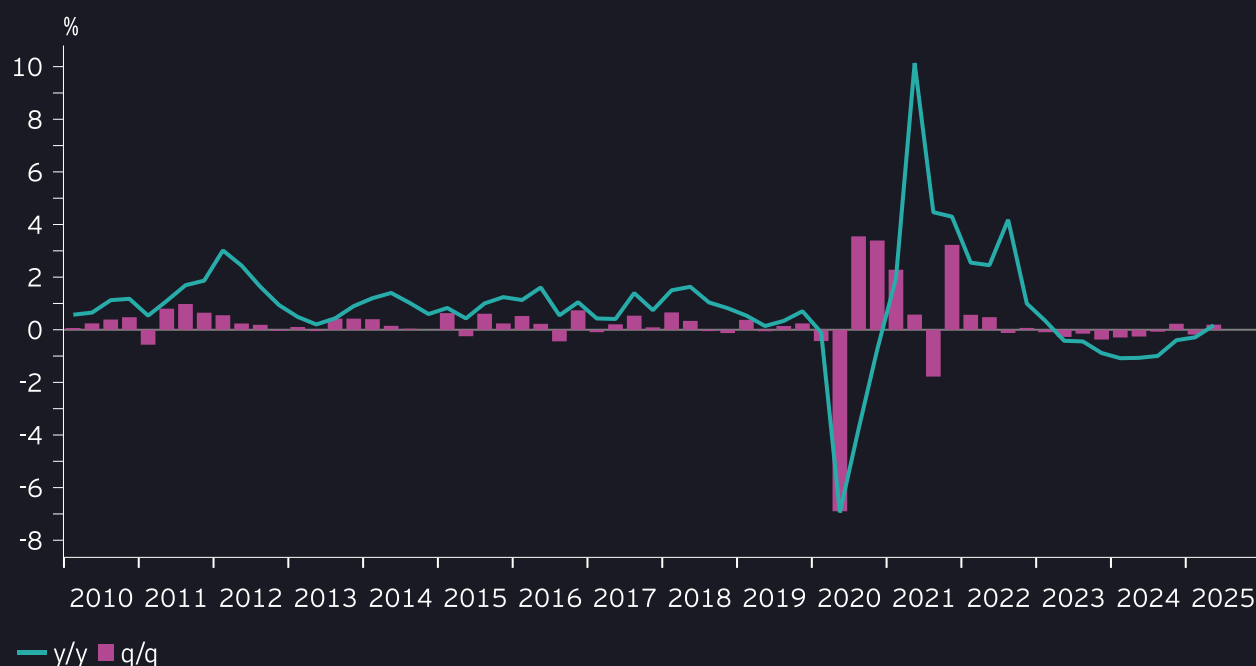
We see the need for additional help from monetary policy but more importantly, progress on productivity enhancing reforms, including changes to the tax system, following the work of the Economic Reform Roundtable last month.

These figures are a reminder that while Australia is on the right track, there is much more work to be done. Sub-2 per cent GDP growth rates, which have been the Australian reality now for seven successive quarters, can be boosted substantially if productivity can be improved.

Cherelle Murphy | EY Regional Chief Economist, Oceania

1. GDP per capita increased in annual terms for the first time in over two years

Australia GDP per capita growth



Source: ABS, Macrobond, EY

2. Higher real household disposable income has supported the recovery in household consumption

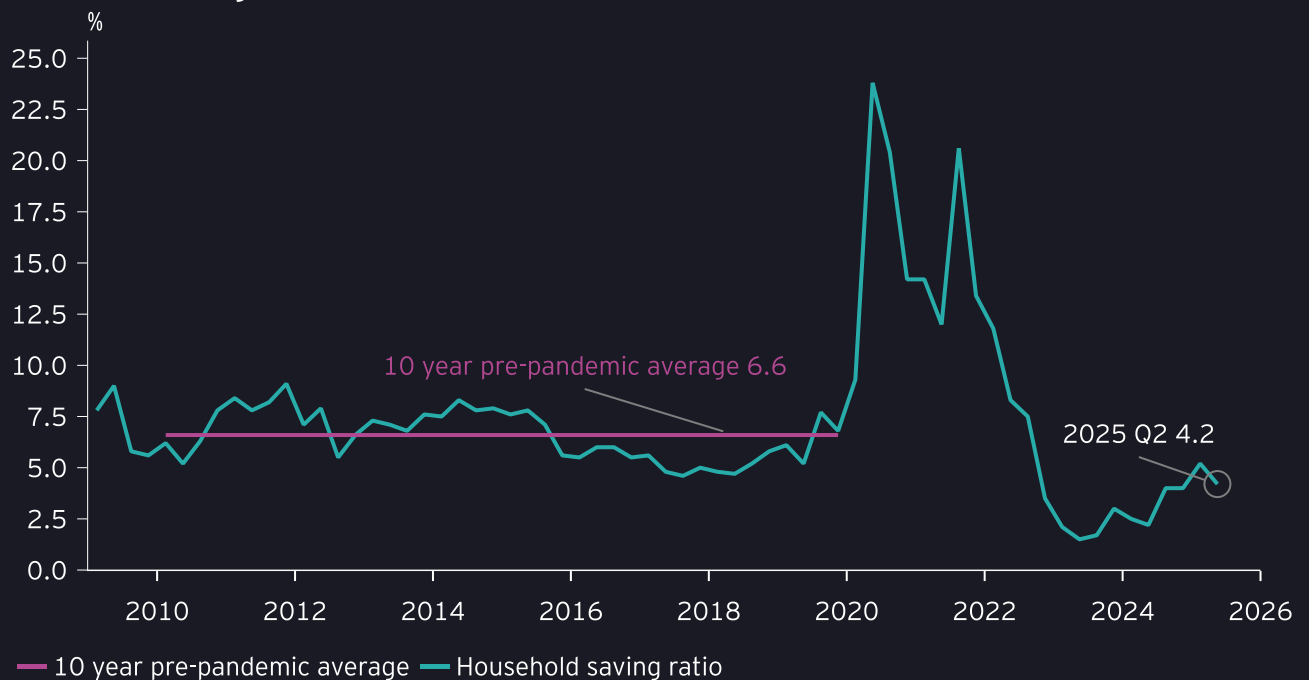
Household consumption and real disposable income including RBA forecasts



Source: ABS, Macrobond, EY
*RBA forecasts (August-25 SMP)

3. The household saving ratio dropped in the June quarter as the rise in household spending exceeded disposable income

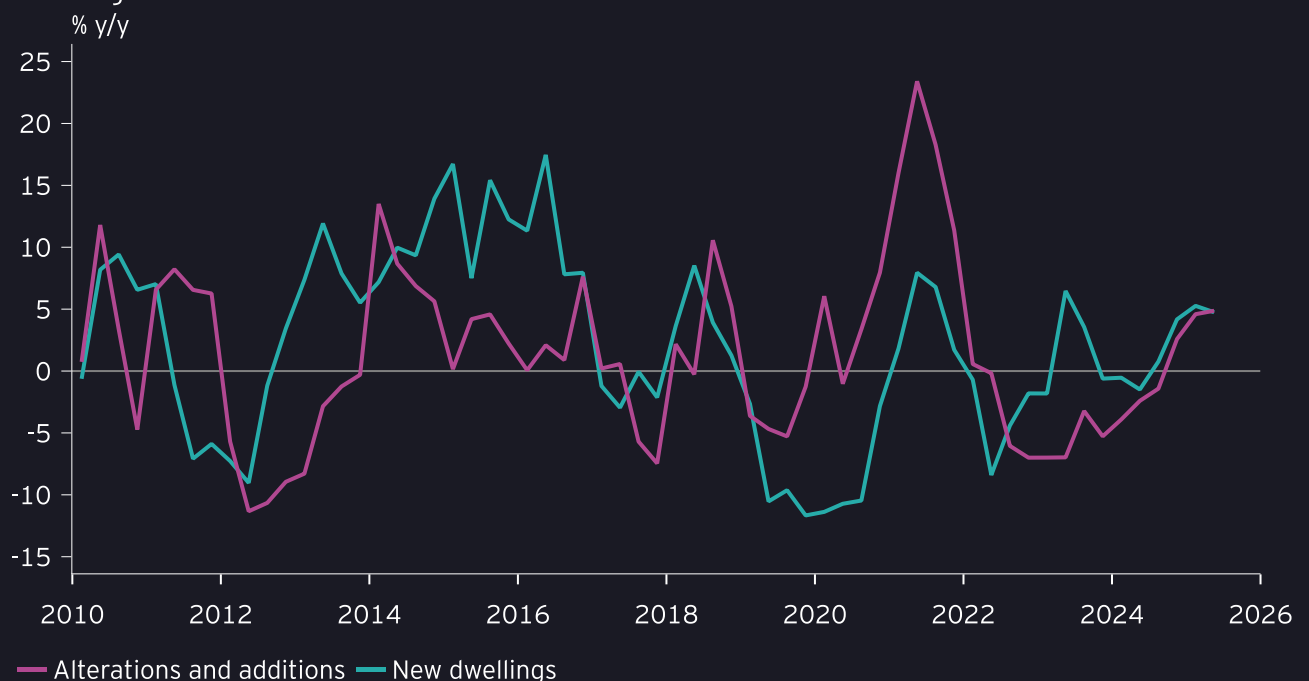
Household saving ratio



Source: ABS, Macrobond, EY

4. Growth in new dwellings and alterations and additions stalled in the June quarter following a recent pick up

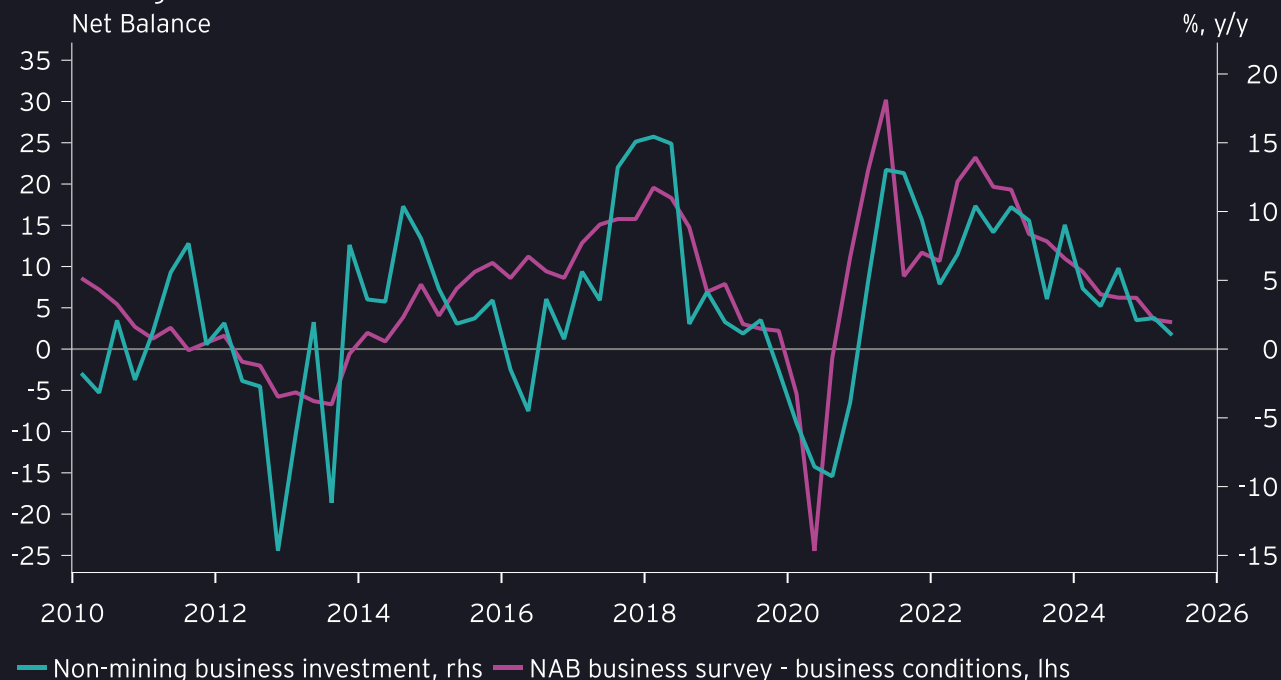
Dwelling investment



Source: ABS, Macrobond, EY

5. Growth in non-mining business investment was soft as corporates report mediocre business conditions

Non-mining business investment and business conditions

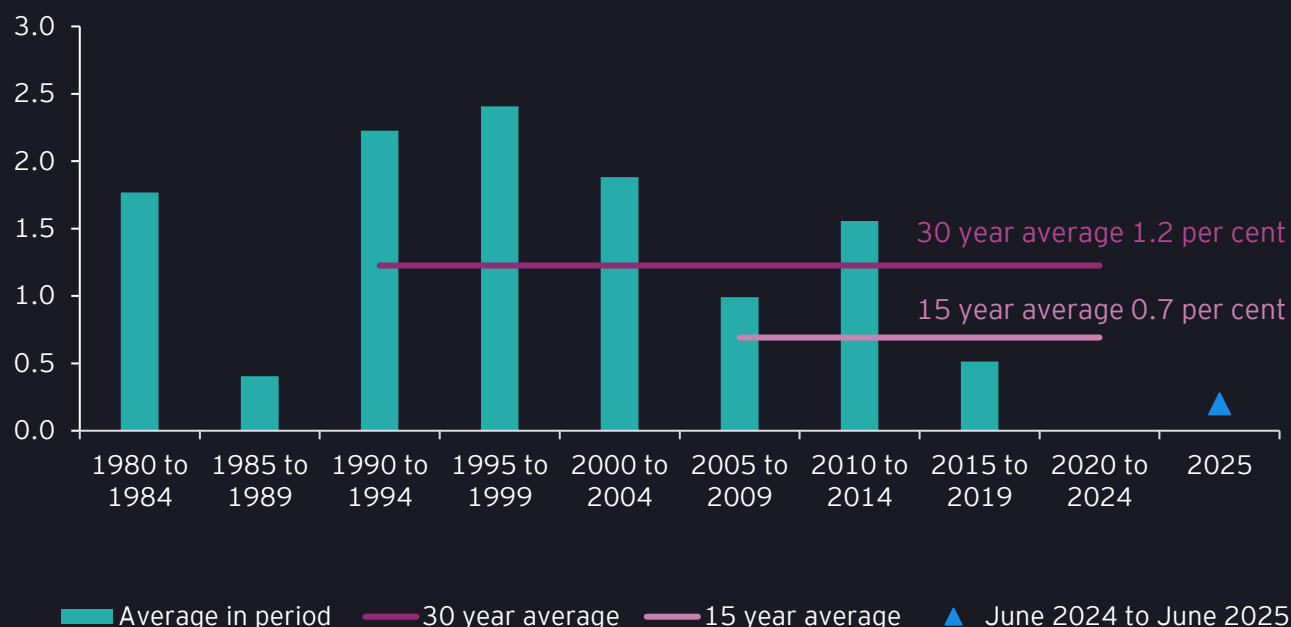


Source: NAB, ABS, Macrobond, EY

6. Productivity growth remained well below the 15-year average, (which is the Reserve Bank's new, lower, forecast assumption)

Labour productivity

GDP per hour worked, average annual growth rate, %



Source: ABS, EY

7. Unit labour costs growth declined to be at the lowest level since June 2022



Source: ABS, Macrobond, EY

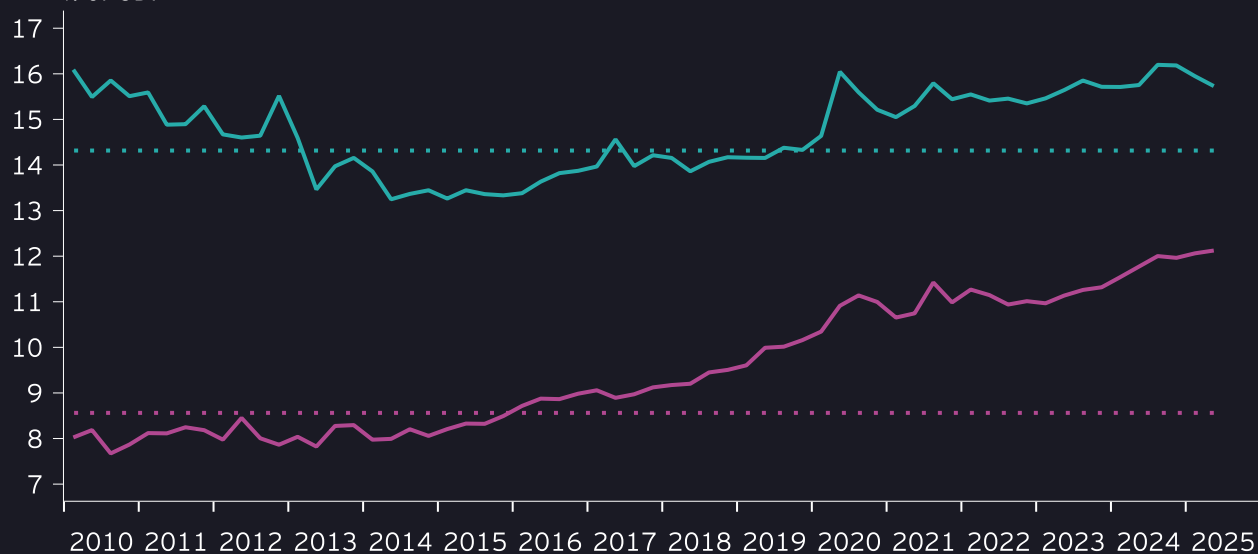
8. Profits continued to decline as a share of the economy (from pandemic-induced highs in 2020) while wages increased



Source: ABS, Macrobond, EY

9. The Federal government's share of the economy continued to grow from already elevated levels, while the state's share fell

Public demand
% of GDP

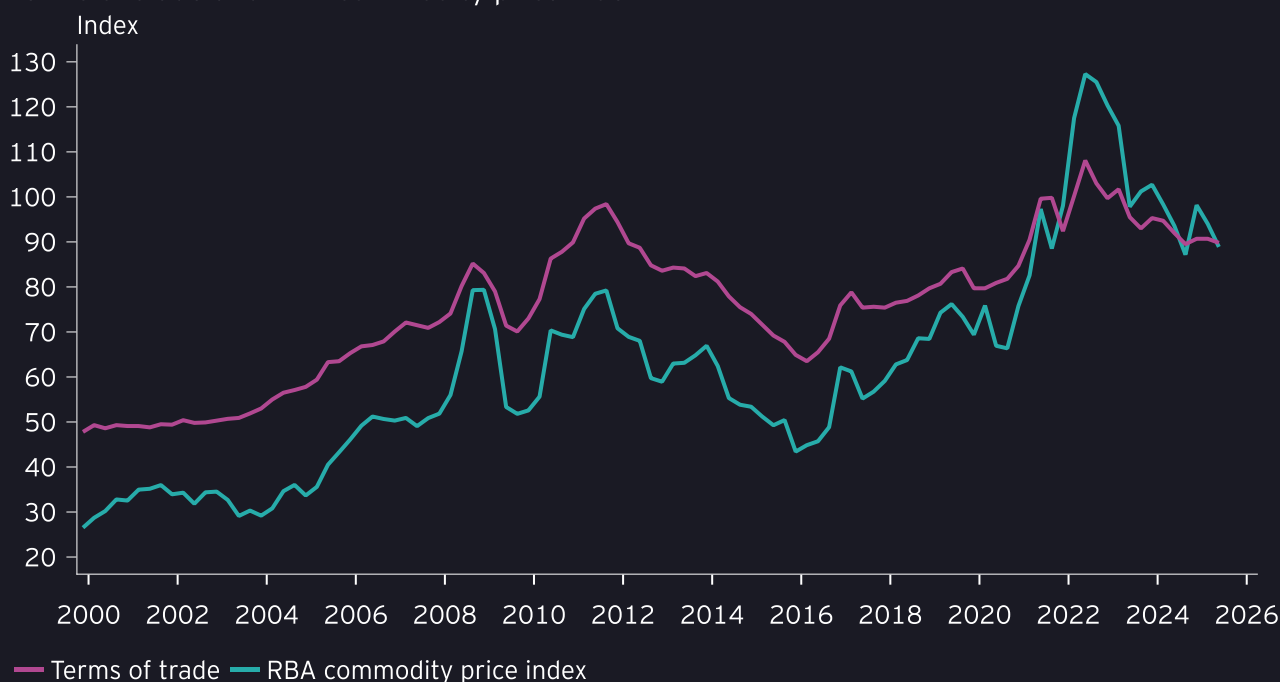


•• State and local governments 10 year pre-pandemic avg
 •• Federal government 10 year pre-pandemic avg — State and local governments — Federal government

Source: ABS, Macrobond, EY

10. The terms of trade declined in the June quarter as commodity prices fell. Historically, both remain elevated

Terms of trade and RBA commodity price index



— Terms of trade — RBA commodity price index

Source: RBA, ABS, Macrobond, EY

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