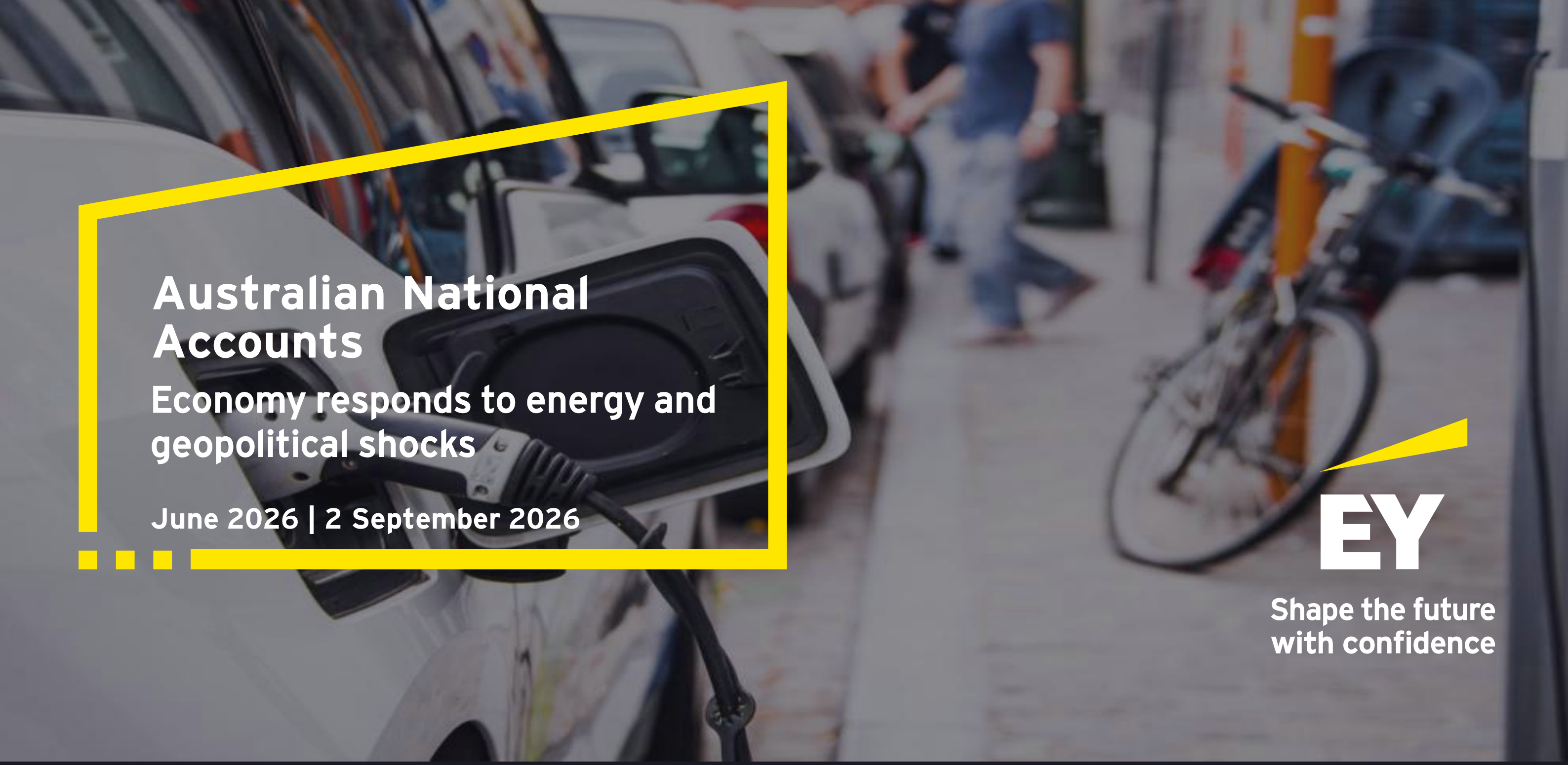


Australian National Accounts

Economy responds to energy and geopolitical shocks

June 2026 | 2 September 2026

Shape the future with confidence

From the Chief Economist

In the June quarter, Australia spent heavily on imported technology, electric vehicles and energy as it responded to the conflict in the Middle East and the race to facilitate artificial intelligence.

GDP rose by 0.4 per cent in the quarter and 2.1 per cent over the year, slightly ahead of expectations, but the composition of growth was less encouraging than the headline suggests. Much of the additional private sector spending leaked into imports, productivity went backwards over the year, and price pressures persisted.

Australia's economy is caught between resilient demand and weak supply-side performance. These National Accounts will do little to ease the Reserve Bank's concerns about the inflation outlook, and we continue to expect that another rate rise will soon be delivered.

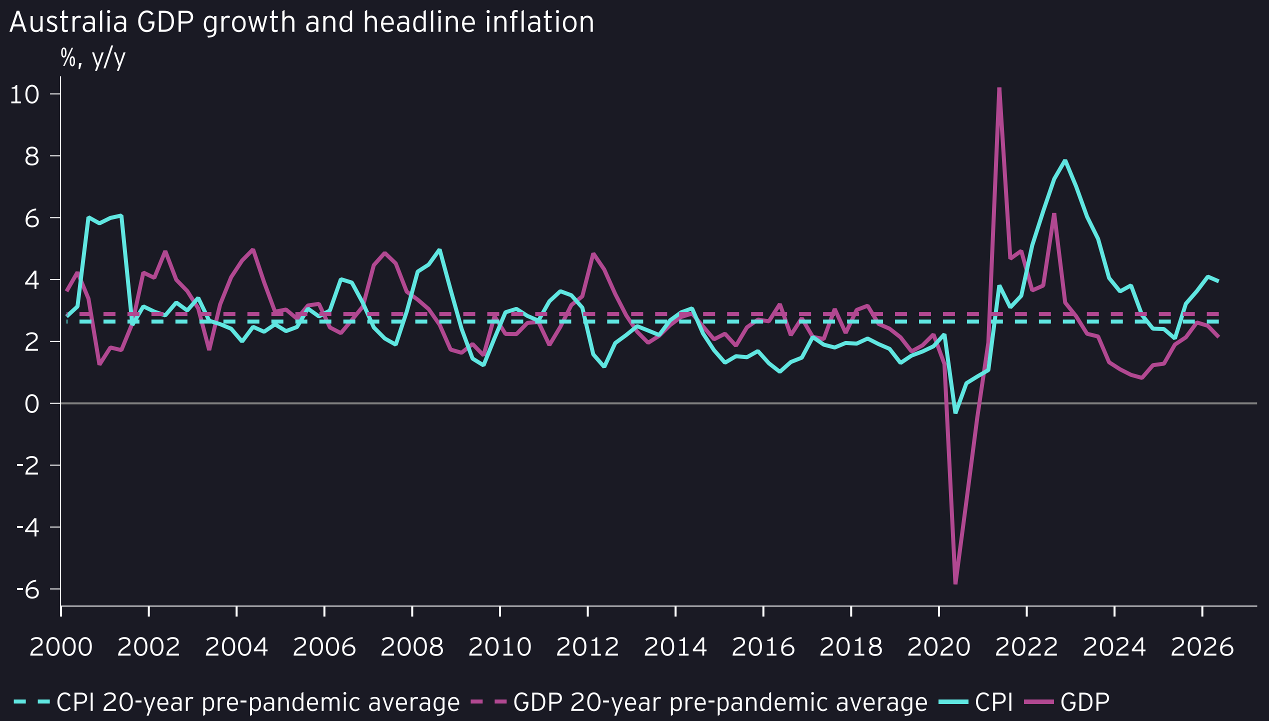
Beyond the immediate numbers, there are grounds for cautious optimism. Households facing high interest rates and costs, are investing in ways to reduce future expenses, most visibly through electric and hybrid vehicle purchases. Businesses maintained a high level of investment in digital infrastructure, despite an easing from the previous quarter, while dwelling construction strengthened.

Over time, these investments could lift the economy's productive capacity. But building and fitting out data centres and importing advanced equipment will not, by themselves, generate productivity growth. The gains will depend on businesses adopting the technology effectively and combining it with stronger skills, better management, redesigned workflows, greater competition and reliable energy infrastructure.

The National Accounts show that Australia is still growing, but not yet in the way it needs to. The economy has seen per-capita growth, but population growth still accounts for most of the expansion. The challenge now is to convert investment in artificial intelligence, digital capability and energy-efficient equipment into domestically generated productivity and stronger, sustainable growth that does not add to inflation.

Cherelle Murphy | EY Regional Chief Economist, Oceania

1. Economic growth moderated in the June quarter, but inflation remained high due to capacity constraints and energy prices



Source: ABS, Macrobond, EY

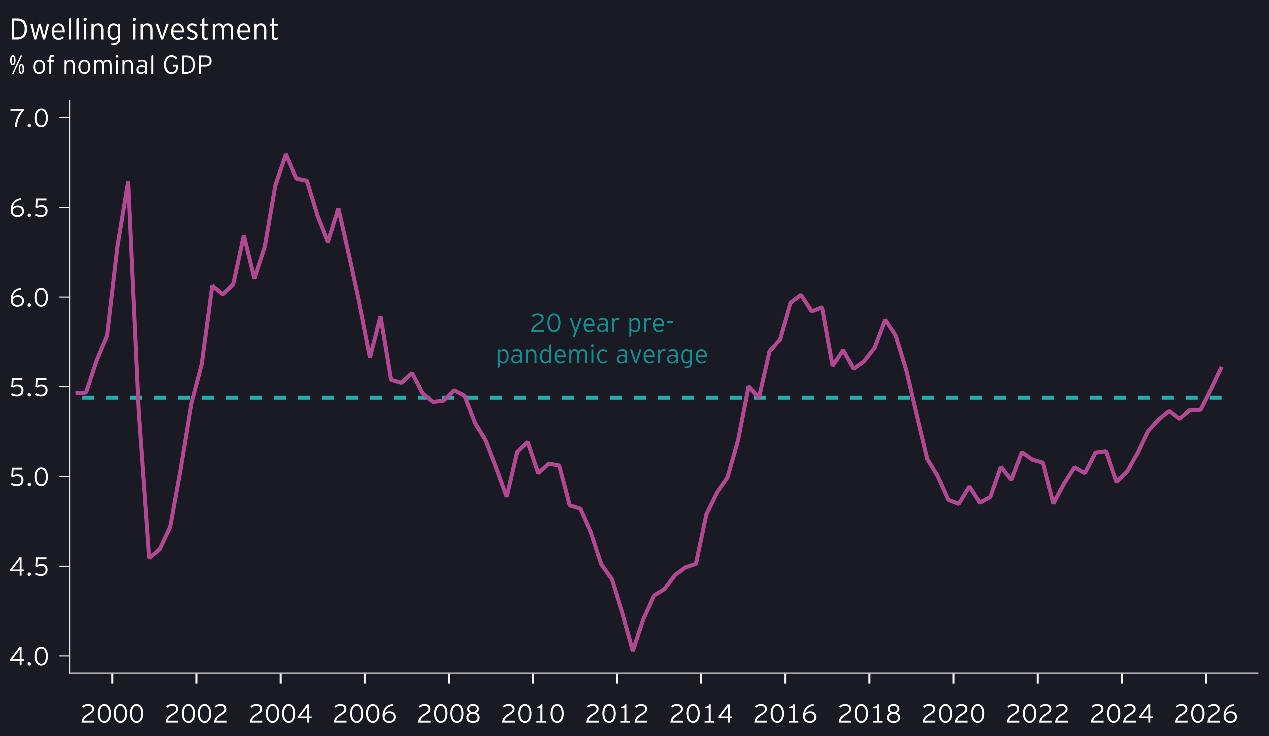
2. Households spent a record amount buying electric and hybrid vehicles in June, while spending on other categories was weaker

Source: ABS, Macrobond, EY

3. Growth in ownership transfer costs moderated sharply in the June quarter in line with a moderation in house prices

Source: ABS, Cotality, Macrobond, EY

4. Dwelling investment rose strongly in the quarter and is now above the 20-year pre-pandemic average



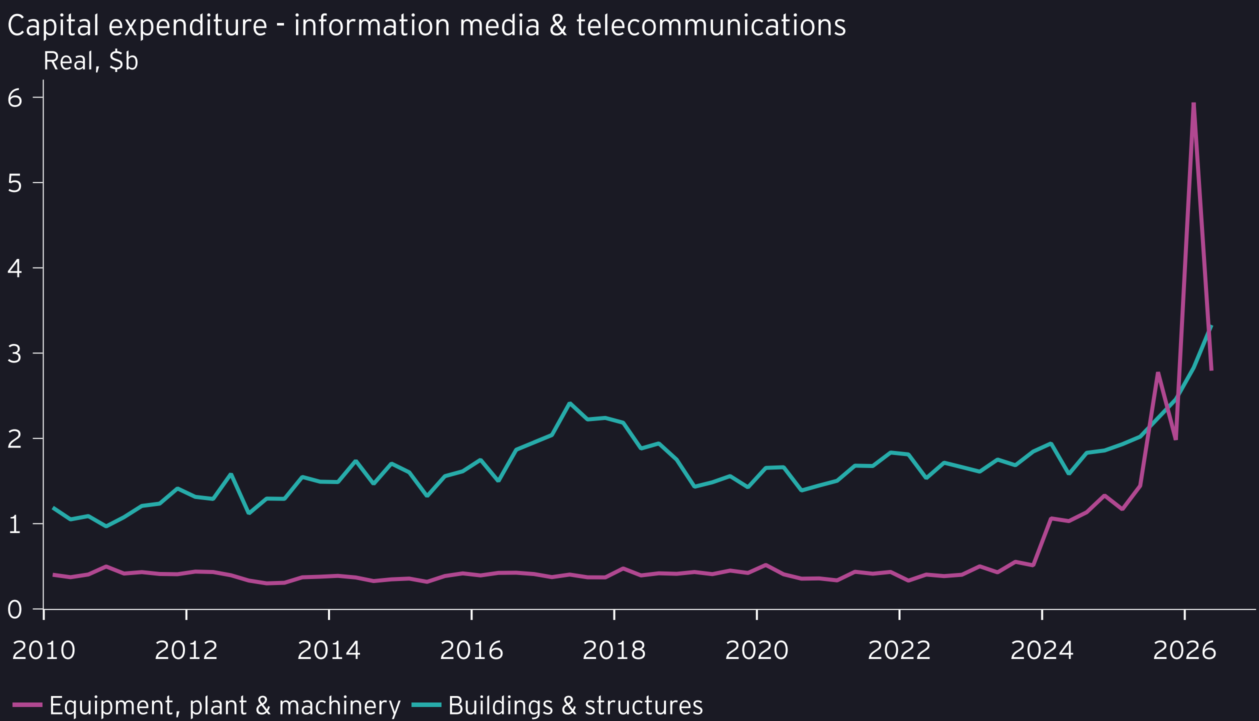
Source: ABS, Macrobond, EY

5. Business investment fell slightly in the quarter, but is expected to lift further due mainly to data centre building and fit outs

Source: ABS, Macrobond, EY
**adjusted for second hand transfers*

Source: ABS, Macrobond, EY

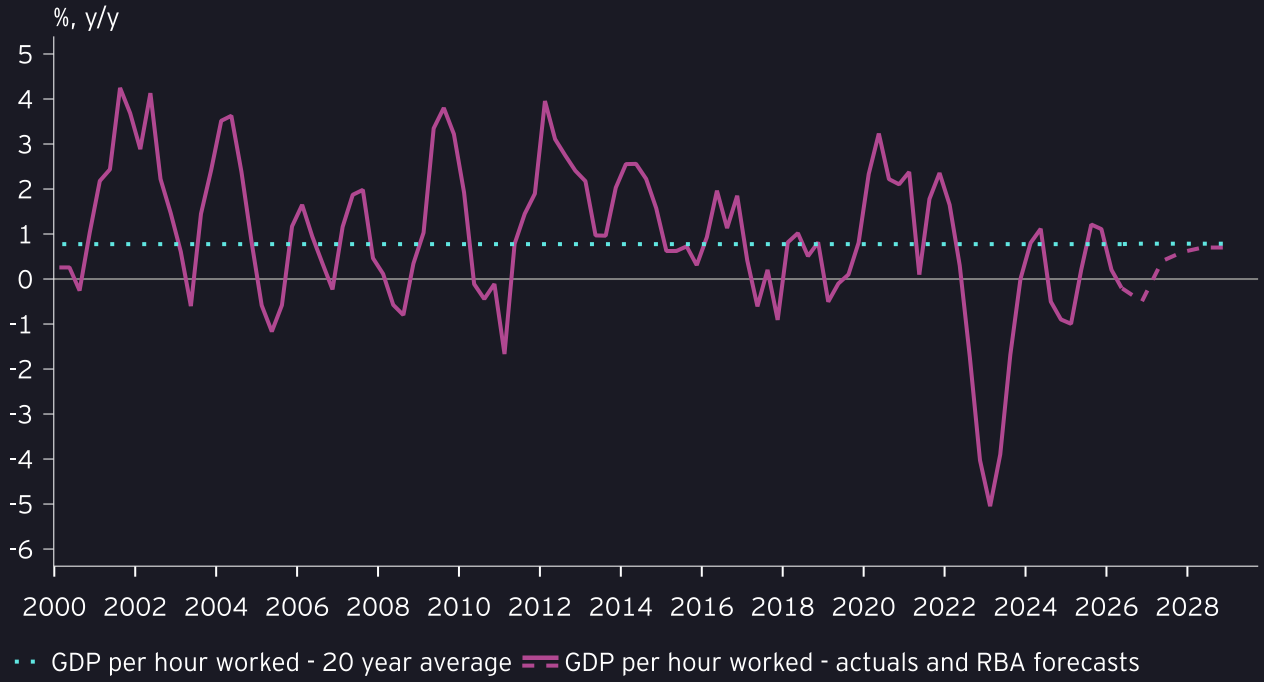
6. Investment in new data centre equipment fell in the quarter, but this type of capital expenditure remains at a high level



Source: ABS, Macrobond, EY

7. Annual labour productivity growth fell and remains well below the long run average

Labour productivity (GDP per hour worked)



Source: ABS, RBA (Aug-26 SMP), Macrobond, EY

8. Capacity utilisation remains elevated and unit labour costs are too high for the Reserve Bank's liking

Unit labour costs and capacity utilisation

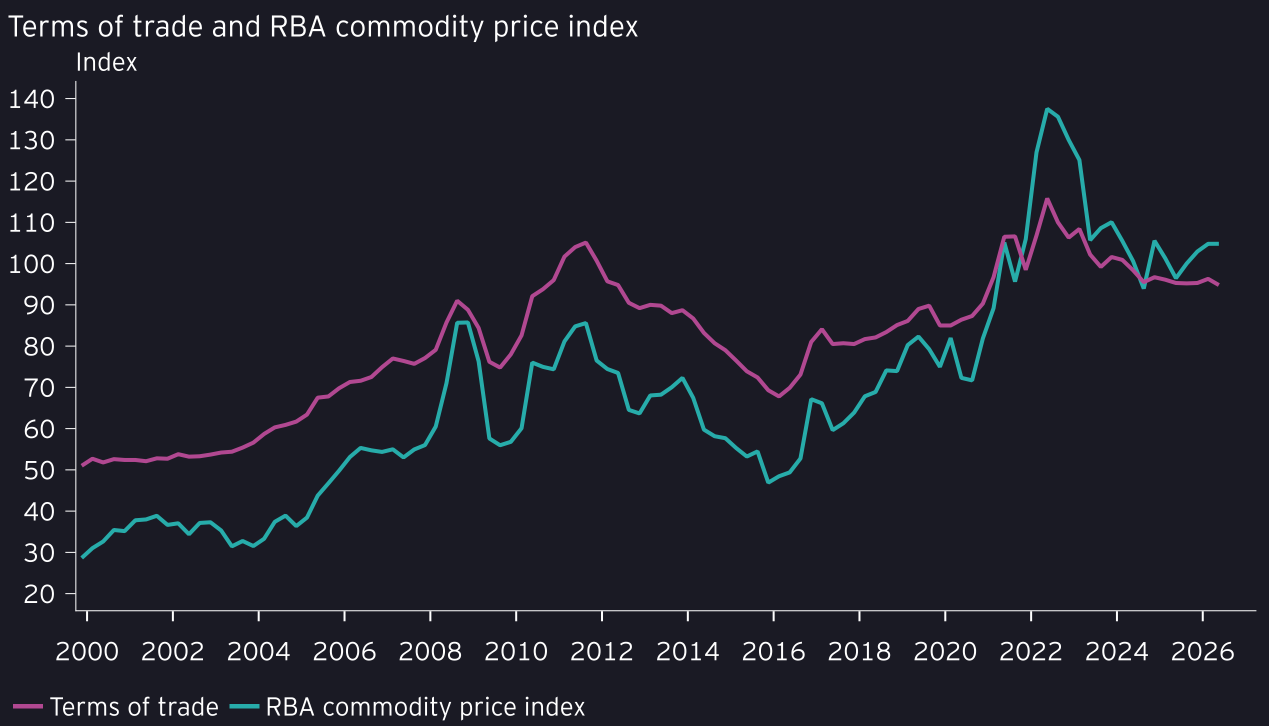
Source: ABS, NAB, Macrobond, EY

9. Government consumption remains well above the 10-year pre-pandemic average, while household consumption is weak

Source: ABS, Macrobond, EY

Source: ABS, Macrobond, EY

10. The terms of trade fell in the June quarter, despite elevated commodity prices, because imported fuel prices rose strongly



Source: RBA, ABS, Macrobond, EY

EY can help

The future is uncertain, but the path there doesn't need to be.

Oceania Economics is an economic advisory practice specialising in applied quantitative analysis, combining the elements of Economics, Policy and Strategy to provide insights through modelling and data visualisation.

We have a deep knowledge of the Australian economy and the business environment, offering a unique perspective in a rapidly changing world.

We deliver:

- Economic scenario modelling and economic impact assessments
- Macroeconomic modelling and forecasting
- Tailored Economic Insights
- Bespoke economic models and tools
- Deep labour market modelling capabilities
- Economic Policy Development
- Climate change modelling

For updates and analysis, visit https://www.ey.com/en_au/services/economics

Key contacts

Cherelle Murphy
Oceania Chief Economist
EY Australia | Canberra
cherelle.murphy@au.ey.com

Paula Gadsby
Senior Economist
Oceania Economics | Perth
EY Australia
paula.gadsby@au.ey.com

Nicholas Hordern
Senior Economist
Oceania Economics | Sydney
EY Australia
nicholas.hordern@au.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EYSCORE 113778-26-AUNZ.
ED None

ey.com