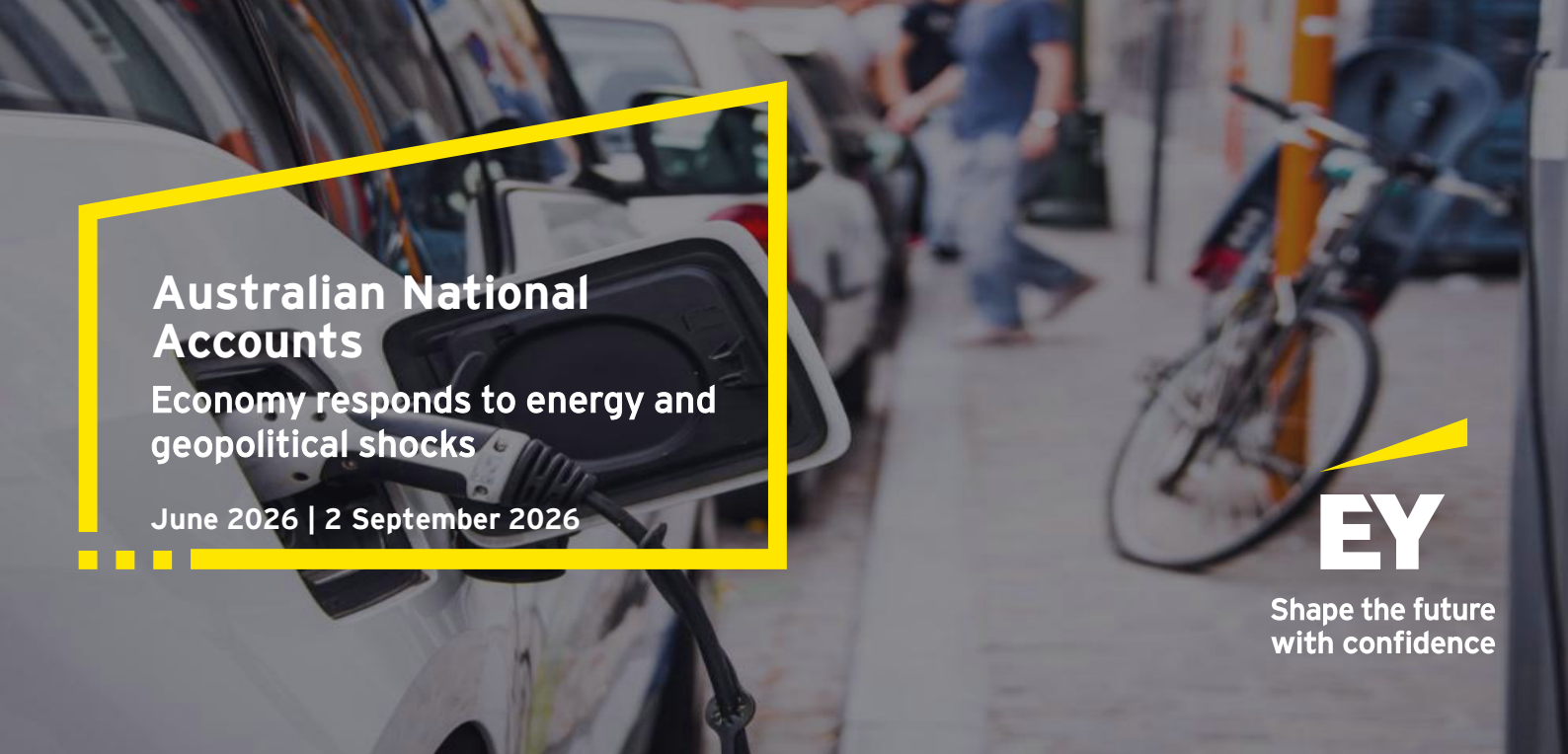




Australian National Accounts

Economy responds to energy and geopolitical shocks

June 2026 | 2 September 2026

EY

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.

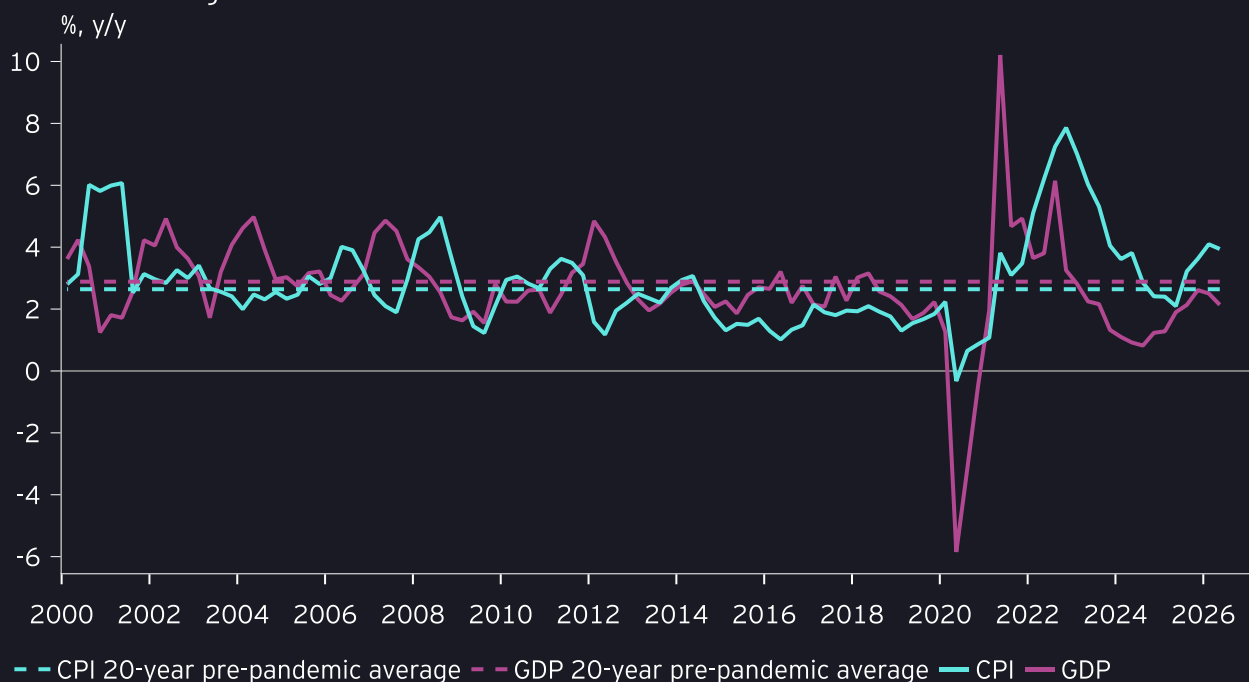
Beyond the immediate numbers, there are grounds for cautious optimism. Households facing high interest rates and costs, are investing in ways to reduce future expenses, most visibly through electric and hybrid vehicle purchases. Businesses maintained a high level of investment in digital infrastructure,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

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

Australia GDP growth and headline inflation



Source: ABS, Macrobond, EY

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

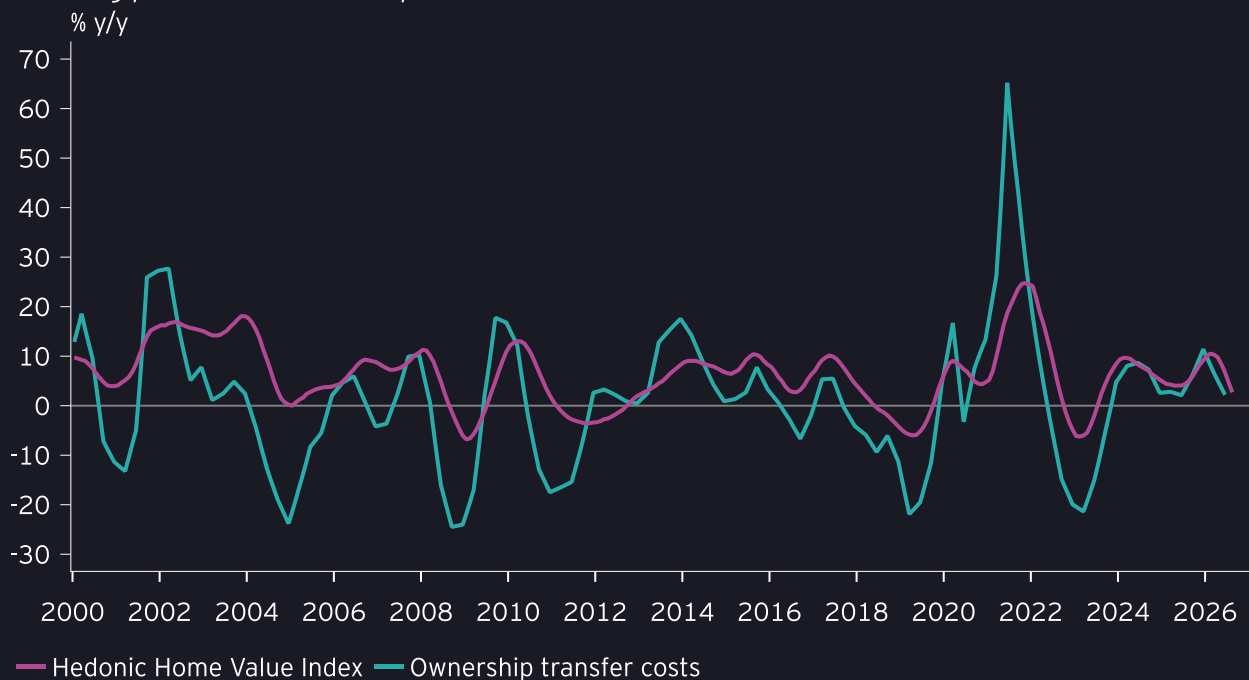
Household consumption growth



Source: ABS, Macrobond, EY

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

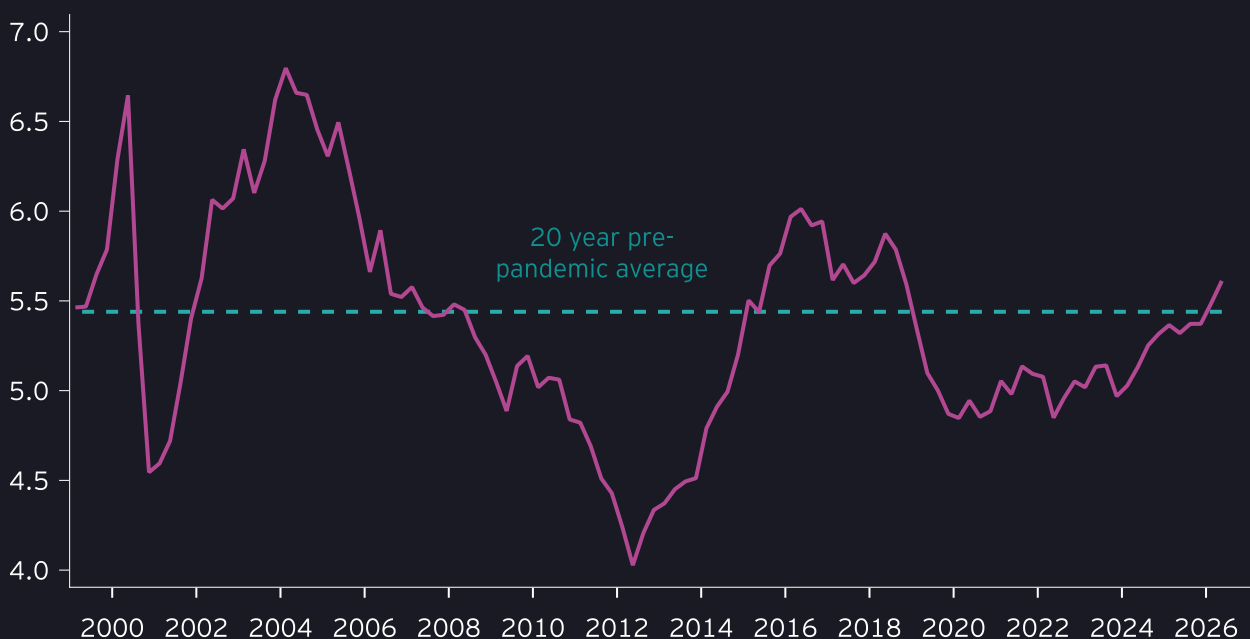
Dwelling prices and ownership transfer costs



Source: ABS, Cotality, Macrobond, EY

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

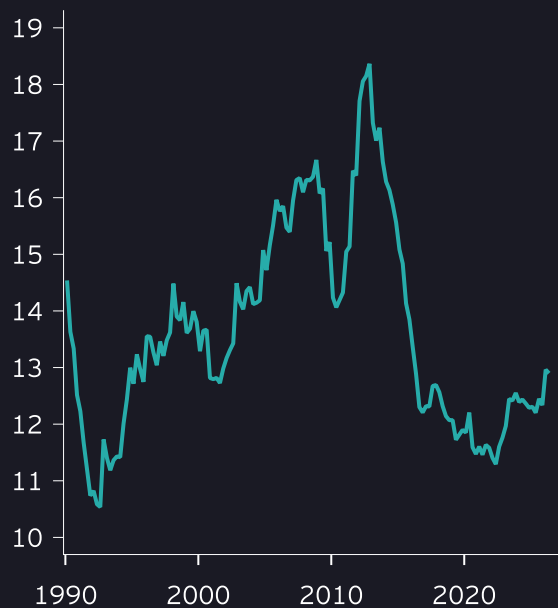
Dwelling investment
% of nominal GDP



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

Business investment
% of nominal GDP

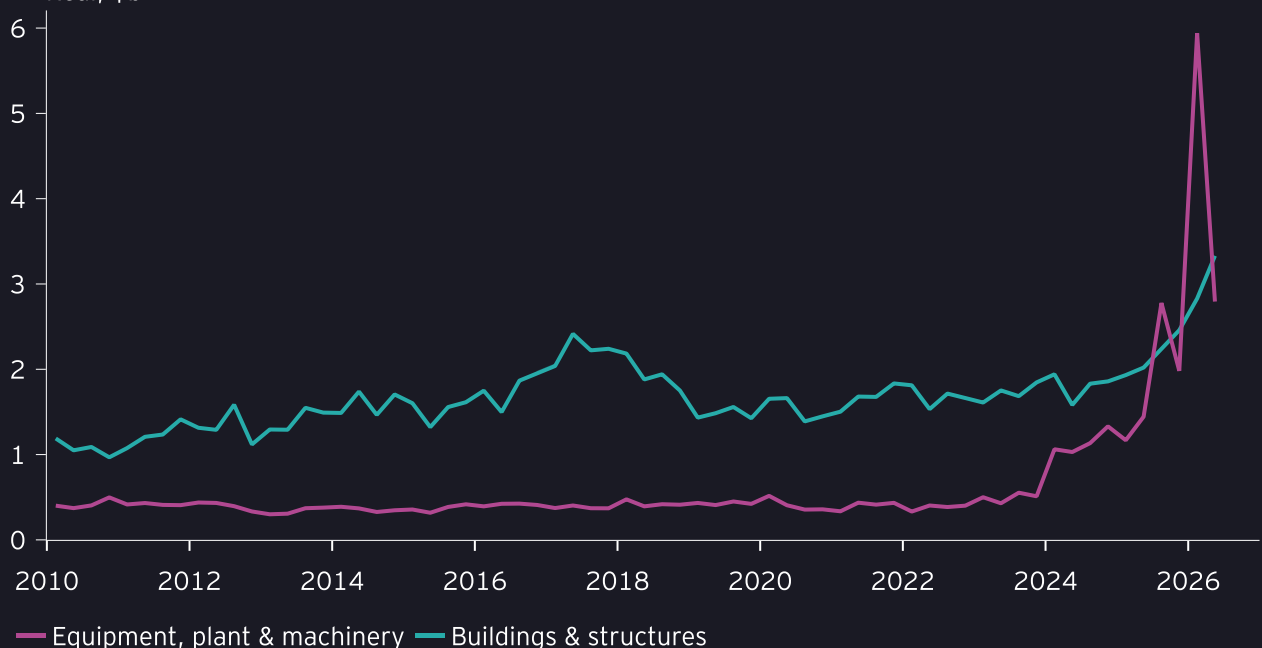


Type of Business Investment
% of nominal GDP



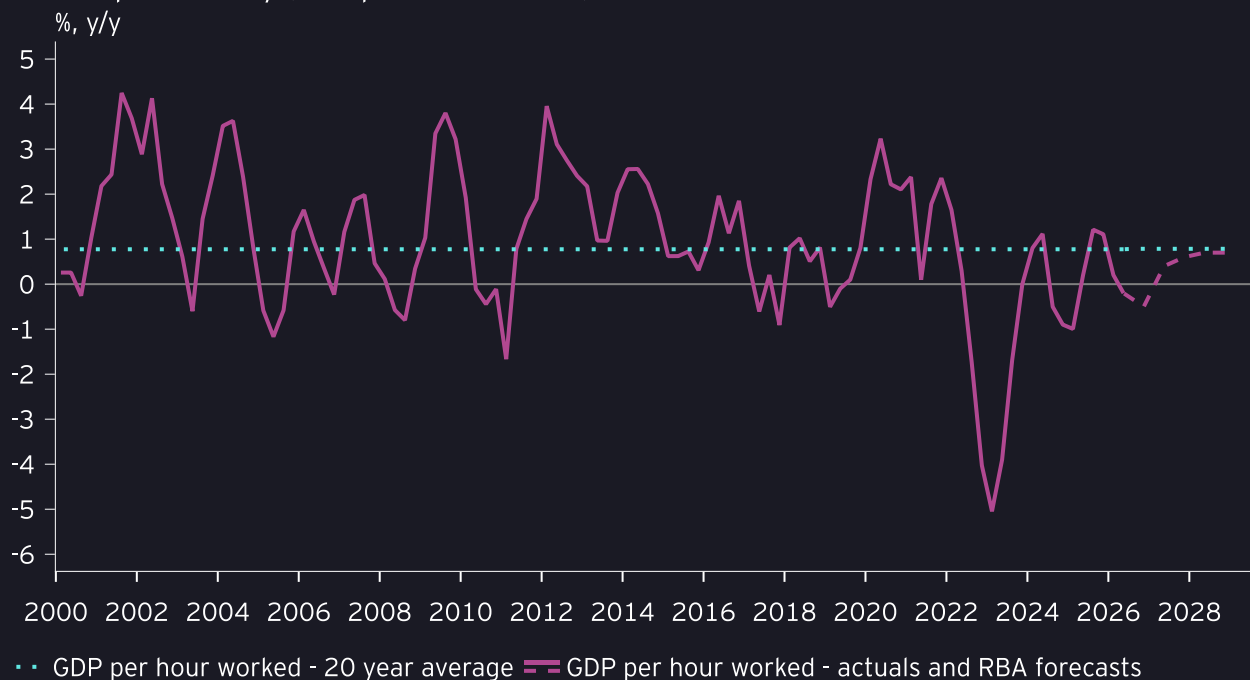
6. Investment in new data centre equipment fell in the quarter, but this type of capital expenditure remains at a high level

Capital expenditure - information media & telecommunications
Real, \$b



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

Government consumption
% of nominal GDP



Source: ABS, Macrobond, EY

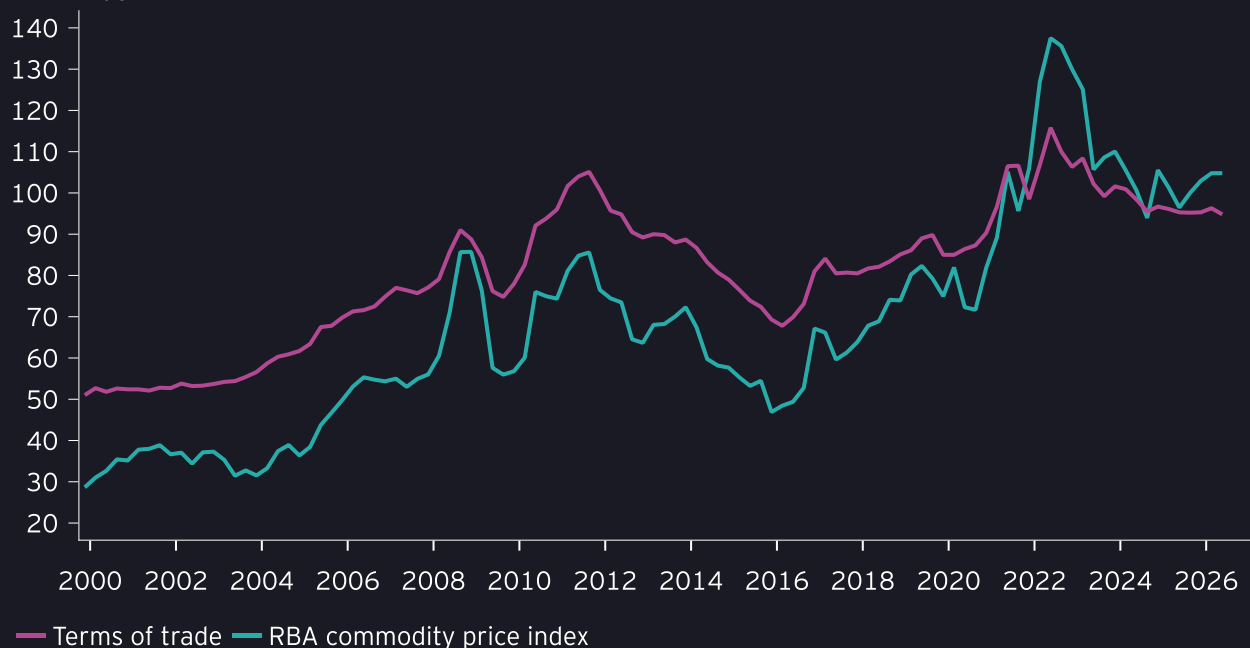
Household consumption
% of nominal GDP



Source: ABS, Macrobond, EY

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

Terms of trade and RBA commodity price index
Index



Source: RBA, ABS, Macrobond, EY

EY can help

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