Australian GDP: a preview bulletin

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Growth remained stuck in the slow lane, with GDP expected to rise 0.2%qtr and 1.7%yr in Q2. Despite significant headwinds from higher interest rates and the conflict in the Middle East, the economy has proven to be a little more resilient than feared, with Westpac-Now showing activity firmed as the quarter progressed.

Domestic demand growth is holding at an above above-trend pace over the first half of 2026, with a large share flowing into activities with high import content (including the purchase of EVs, data centre equipment and aircraft) resulting in a drag from net exports.

As we have previously noted, the data centre and renewables investment surge is unlikely to be smooth, with the timing of large projects generating significant quarter-to-quarter volatility. While some of this volatility will be netted out through imports, the linkages to construction, logistics and professional services mean some of it will still be reflected in the GDP aggregates, much as occurred during the LNG investment boom in the early 2010s.

We are also likely to see productivity growth fall 0.2%qtr in Q2. While this may be of some concern to the RBA it is not overly surprising given the presence of a temporary supply shock around energy and the productivity drag that typically comes during the initial stages of an investment surge. And, as in Q1, the moderation in wages growth we saw in the Q2 WPI is likely to limit any associated increase in the economy’s cost base.

Source: https://www.westpaciq.com.au/economics/2026/08/gdp-preview-28-august-2026/