

MELBOURNE INSTITUTE
Applied Economic & Social Research

Melbourne Institute Nowcast of Australian GDP

November 2025

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September quarter – third and final nowcast

- Growth in the Australian economy surprised on the upside in the June quarter. With output increasing by 0.6 per cent, year-ended growth reached 1.8 per cent.
- Our third and final nowcast for the September quarter is for quarterly growth of 0.6 per cent (Figure 1), taking year-ended growth to 2.1 per cent. This is 0.1 ppt higher than last month.
- In the June quarter output growth improved on the back of strong household consumption growth. We anticipate that consumption has grown at a more moderate pace in the September quarter. Alternatively, business investment may have strengthened. A change in the source of investment growth from the public, to private, sector appears to be underway. Nevertheless, a weak business investment outturn is an important downside risk to our nowcast.
- The September quarter GDP data will be released by the ABS on Wednesday 3 December 2025.

Wages growth is slowing, but public sector wage growth remains strong...

- The main measure of wages in Australia, the Wage Price Index (WPI), grew by 0.8 per cent in the September quarter, to be 3.4 per cent higher over the year.
- Growth was much stronger in the public, rather than private, sector. Over the year, public sector wages are 3.8 per cent higher, compared to 3.2 per cent for the private sector (Figure 2).
- Generally, growth in real wages is thought to be sustainable if underpinned by productivity growth. The WPI – as it is for a given bundle of jobs – is partially adjusted for productivity. The extent of this adjustment, however, is uncertain.
- This means that the growth rate of the WPI consistent with the RBA's inflation target is uncertain.
- Nevertheless, if the pace of private sector wage growth in the September quarter – 0.7 per cent – is maintained, this is likely to be consistent with the target.
- Alternatively, public sector growth at 0.9 per cent is strong. Quarterly wages in both sectors have eased since the March quarter this year.
- Using original data, the ABS report wages changed for 33 per cent of public sector positions in the September quarter, up from 30 per cent at the same time last year. The State government typically contributes the most to public sector wages growth of any level of government due to its large share of public employment. Its contribution was 0.2 ppt larger than a year ago. The ABS notes that this was in part due to several state-based enterprise agreements finally being implemented.
- Encouragingly, quarterly wages growth has been easing. While uncertain, it may be necessary for public sector wages growth to ease further to be consistent with the inflation target. Alternatively, ongoing wages growth in both sectors could be lifted with stronger trend productivity growth.

Figure 1: GDP Growth
(chain volume, per cent)

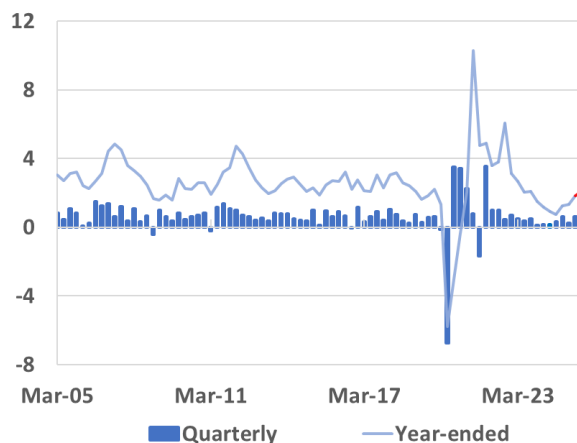
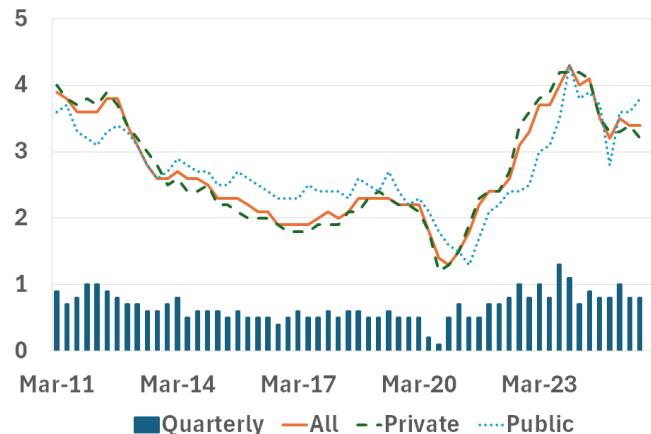


Figure 2: Wage Price Index Growth
(per cent, quarterly and year-ended)



Sources: ABS, up to June quarter 2025, and MI.

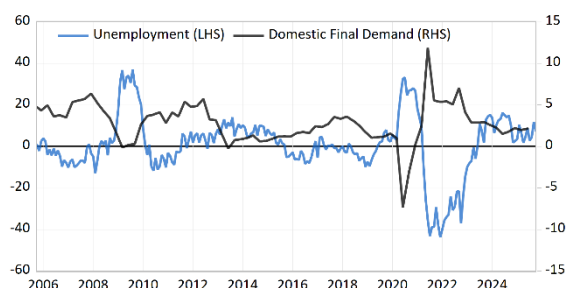
Source: ABS.

The labour market improves...¹

The unemployment rate unwound last month's increase, returning to 4.3 per cent. Its trend estimate smooths out some of the monthly volatility and was unchanged at 4.4 per cent, which is 0.3 ppt higher than a year ago. The underemployment rate, which captures those working less hours than they desire, also improved in October, and its trend is 0.4 ppt lower than a year ago. The number of people employed grew by 0.3 per cent, due entirely to an increase in full-time jobs. A useful summary measure is the employment-to-population ratio, which was unchanged at a high 64 per cent.

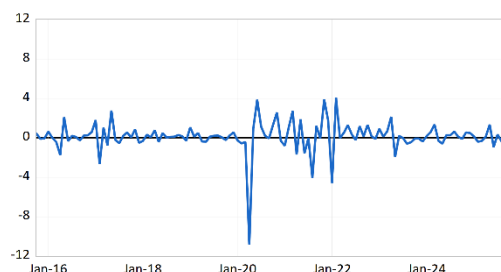
The nowcasting model includes two labour market indicators. The first, year-ended growth in unemployment, improved in October, but remains consistent with weakness in domestic final demand (Figure 3). The second, growth in hours worked, was 0.5 per cent (Figure 4). In the September quarter hours worked increased only slightly (0.1 per cent); together with our GDP nowcast, this implies an improvement in labour productivity is likely. Developments in the timely indicators of labour market prospects were mixed. The Westpac-Melbourne Institute Unemployment Expectations Index moved sharply higher in November, whereas the [Jobs and Skills Australia Internet Vacancy Index](#) posted a small rise in October. Overall, it appears that the labour market is cooling, but only gradually.

Figure 3: Unemployment and Demand
(year-ended growth, per cent)



Source: ABS, up to October 2025 (unemployment).

Figure 4: Growth of hours worked
(monthly, per cent)

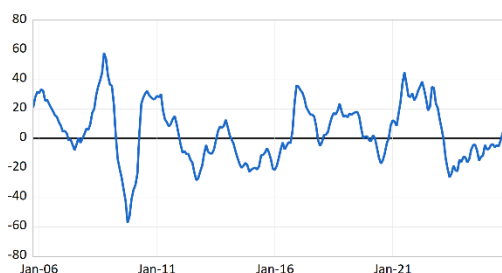


Source: ABS, up to October 2025.

Commodity prices move higher in October ...

The RBA Index of Commodity Prices in A\$ increased by 2.5 per cent in October, to be 3.4 per cent higher over the year (Figure 5). Base metals posted another sizable increase, and export prices for the bulk commodities also rose. Commodity prices moved higher in the September quarter overall, and are a key driver of Australia's export prices, and hence the terms of trade. Taken together with the fall in the ABS' Import Index, commodity prices currently signal that the terms of trade rose, which influences national income. However, this is uncertain as the ABS' Export Price Index fell. The goods trade balance increased in September, with a rise in the value of non-monetary gold exports (Figure 6). In the September quarter overall growth in the value of goods imports outstripped exports, however uncertainty about developments in prices and trade in services make judging the likely net exports contribution hard. Nevertheless, we anticipate that net exports did not contribute to growth.

Figure 5: Commodity Prices
(year-ended growth, per cent)



Source: RBA, up to October 2025.

Figure 6: Goods Trade balance
(\$ billion)



Source: ABS, up to September 2025.

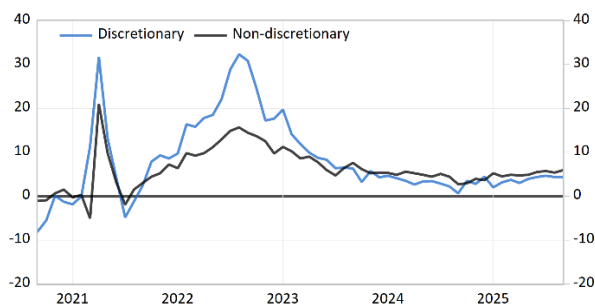
¹ Our nowcasting model uses monthly information regarding the labour market, housing and business lending, consumption, housing approvals, consumer expectations, trade conditions and commodity prices to gauge current economic conditions. It includes judgement.

Consumer sentiment delivers a surprisingly strong outcome ...

The Westpac-Melbourne Institute Consumer Sentiment Index surged 12.8 per cent higher in November, to be nearly 10 per cent higher than a year ago. This was the first reading in optimistic territory since early 2022. The lift was particularly pronounced in the forward-looking Expectations Index, but the Current Conditions Index, which the nowcasting model focuses on, improved to be 20 per cent higher over the year (Figure 8). This mainly reflected responses about if it was a good time to buy a major household item, although those about the current state of family finances also rose.

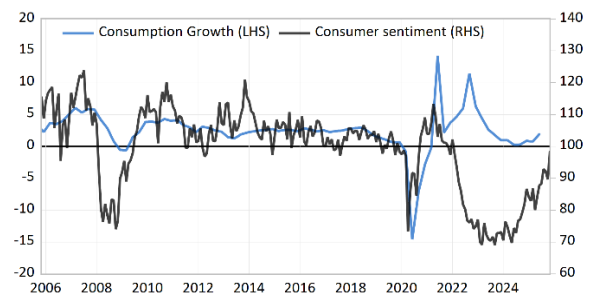
The [ABS Monthly Household Spending Indicator](#) (MHSI) grew by 0.2 per cent in September, to be 5.1 per cent higher over the year. The nowcasting model includes discretionary and non-discretionary spending separately. They are 4.5 and 6.2 per cent higher over the year (Figure 7). For the September quarter, spending volumes – the measure most relevant for output growth – grew by a weak 0.2 per cent, compared to its strong 0.9 per cent rise in the June quarter. The ABS notes that these figures only capture legal sales of tobacco, and that if illegal sales are included the September quarter would be boosted by a surprisingly large 0.2 ppt. That said, the June quarter would have been boosted by even more, so the message from the MHSI that the pace of consumption growth has stepped down a notch in the September quarter remains. Such a slowing is unsurprising as the strength in the June quarter partially reflected a recovery from disruptions due to previous adverse weather conditions.

Figure 7: Monthly Household Spending Indicator
(year-ended growth, per cent)



Source: ABS, up to September 2025.

Figure 8: Consumer Sentiment and Consumption
(index and year-ended growth, per cent)

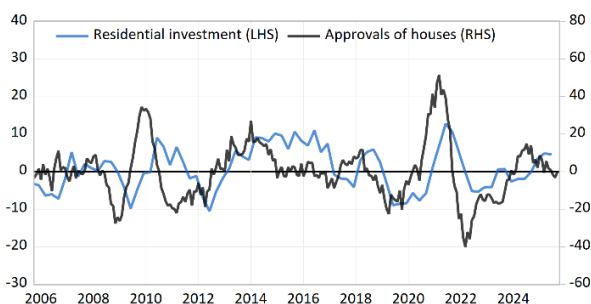


Source: ABS and MI, up to November 2025 (sentiment).

Dwelling approvals improve ...

Dwelling approvals grew by 12 per cent in September. Focussing on their trend, to abstract from their inherent volatility, approvals have been increasing since around February. This growth has primarily been in the volatile private sector dwellings excluding houses (e.g. apartments) component. The nowcasting model alternatively focuses on approvals for houses; these are little changed over the year (Figure 9). We anticipate a small contribution to growth from residential investment at best. Business investment indicators have generally been positive. [The NAB Monthly Business Survey](#) reported business conditions edged higher in October and are at an above-average level. While year-ended growth in business credit eased in September, it remained robust at 9.5 per cent (Figure 10). We expect business investment to contribute modestly to output growth in the September quarter.

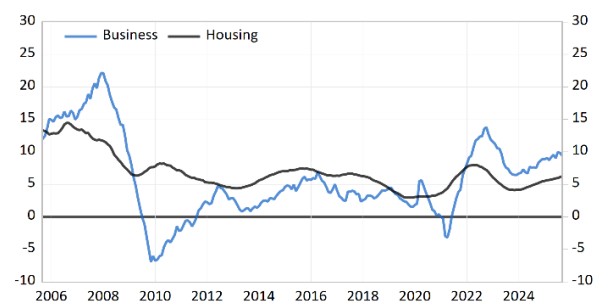
Figure 9: Dwelling Approvals and Residential Investment
(year-ended, per cent)



Source: ABS, up to September 2025 (approvals).

Next release: 18 December 2025.

Figure 10: Housing Credit and Business Credit
(year-ended growth, per cent)



Source: RBA, up to September 2025.

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The Melbourne Institute Nowcast of Australian GDP uses monthly information regarding labour market conditions, housing and business lending, retail sales, housing approvals, consumer expectations, trade conditions and commodity prices in order to gauge current economic conditions.

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For information on the data contained in the report contact the Melbourne Institute, The University of Melbourne, on (03) 8344 2196.

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