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Applied Economic & Social Research

Melbourne Institute Nowcast of Australian GDP

June 2026

THE UNIVERSITY OF MELBOURNE

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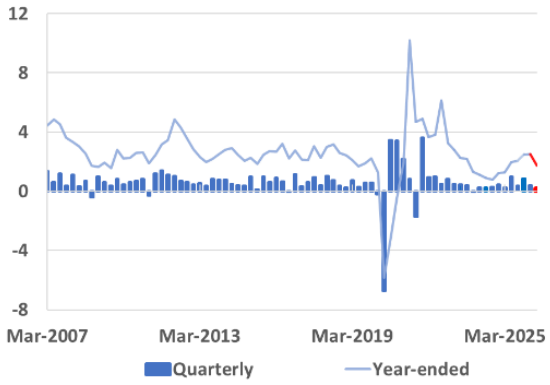
Melbourne Institute Nowcast of Australian GDP

Released on 25 June 2026

June quarter – first nowcast

- Output growth in the March quarter was weak, at 0.3 per cent, and 2.5 per cent over the year.
- Our first nowcast for the June quarter is 0.2 per cent growth. This sees year-ended growth falling sharply to 1.7 per cent (Figure 1). Considerable uncertainty surrounds this nowcast, partly because the extent of the impact of the Middle East conflict on growth is difficult to pinpoint.
- The March quarter GDP data will be released by the ABS on Wednesday, 2 September 2026.

Figure 1: GDP Growth



Sources: ABS, up to March quarter 2026, and MI.

- Looking further out, the Westpac-Melbourne Institute Leading Index continues to signal that below-trend output growth is likely to persist over the remainder of this year.

What are per capita recessions and what are their consequences?

- GDP per capita declined by 0.1 per cent in the March quarter. Assuming unchanged quarterly population growth of 0.4 per cent, our nowcast implies a second successive decline in GDP per capita in the June quarter. This may signal the start of a per capita recession.
- To identify recessions and expansions we date peaks and troughs in GDP and GDP per capita using an established algorithm (Harding and Pagan, 2002). The dates this algorithm produces, when applied to U.S GDP, are similar to those determined by the NBER cycle dating committee. It is only possible to identify turning points after they occur. A recession is a substantial decline in economic activity. One aspect that the algorithm uses to identify a peak - the start of a recession - is two consecutive declines in activity.
- Per capita GDP is one measure of the living standards of Australians. A per capita recession therefore represents a decline in living standards. It is, however, distinct from a conventional recession. To illustrate this, in Table 1 we look at the consequences for the unemployment rate of the three most recent recessions.

Table 1: Unemployment Consequences of 3 Most Recent Recessions

Number	GDP				GDP Per Capita			
	Dates		Unemployment rate		Dates		Unemployment rate	
	Peak	Trough	At Peak (%)	Change (ppt)	Peak	Trough	At Peak (%)	Change (ppt)
1	Dec-19	Jun-20	5.17	1.73	Dec-22	Mar-25	3.47	0.63
2	Dec-90	Jun-91	6.23	3.43	Dec-19	Jun-20	5.17	1.73
3	Sep-81	Jun-83	5.80	4.43	Jun-18	Dec-18	5.40	-0.37

Sources: MI, ABS.

- Several of the different characteristics are evident. First, GDP per capita recessions are more frequent. This reflects that as the population grows on average, the trend growth rate of per capita GDP is less, and therefore negative growth rates occur more frequently. Second, while the average duration of per capita recessions is longer, the rise in the unemployment rate typically is smaller – they are less severe. Third, the most recent per capita recession ended only in March last year.
- Throughout the rest of 2026 the living standards of Australians may decline. The Westpac-Melbourne Institute Consumer Sentiment Index shows that Australians already are highly pessimistic, with elevated inflation one likely contributing factor (La Cava 2026). That a per capita recession only recently ended possibly is another. Despite this pessimism, it is noteworthy that this per capita recession may start from a lower unemployment rate than some previous episodes.

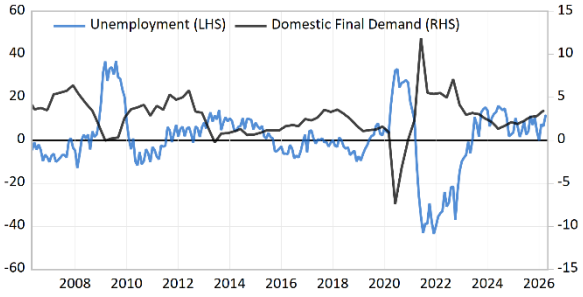
Job vacancies decline substantially…[1]

The Jobs and Skills Australia Internet Vacancy Index, which captures the number of online job advertisements across several major platforms, decreased by 3.3 per cent in May, to be 3.3 per cent lower than a year ago. Nevertheless, the level of ads remains high relative to their pre-COVID values, suggesting that while labour demand has slowed, it remains solid.

Another timely labour market indicator is the Westpac-Melbourne Unemployment Expectations Index. This captures expectations of consumers about whether unemployment is likely to rise in the future. It became considerably more pessimistic in April, a shift which has only subsequently been partially unwound, with expectations little changed in June. They are nearly 10 per cent higher than a year ago.

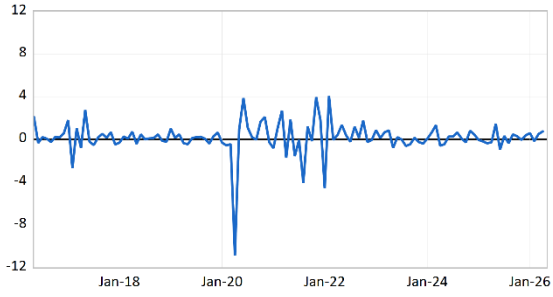
Two less timely indicators from the ABS Labour Force survey are included in the nowcasting model. One is year-ended growth in unemployment, which was 12.3 per cent in April, signalling that prospects for domestic final demand growth are weak (Figure 3). The nowcasting model also includes growth in hours worked, which was 0.8 per cent in April (Figure 4). This strength in hours worked stood in contrast with the unemployment rate moving higher and a decline in the participation rate. Nevertheless, the participation rate remained above its pre-COVID levels.

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



Source: ABS, up to April 2026 (unemployment).

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



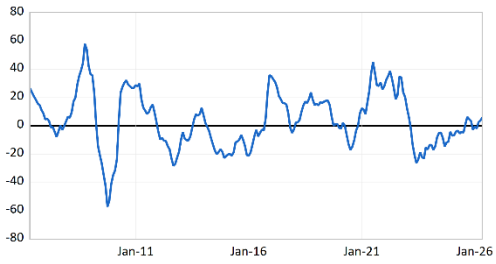
Source: ABS, up to April 2026.

Commodity prices in A$ little changed ...

The RBA Index of Commodity Prices in A$ fell slightly in May, although this reflected an appreciation of the A$; in US$ terms prices increased by 1.4 per cent. Compared to a year ago, commodity prices in A$ are around 6 per cent higher (Figure 5), with higher prices for rural goods and base metals both contributing. However, export prices for the bulk commodities, namely iron ore and coal, are slightly lower than a year ago. These can differ from spot prices due to some being sold on contracts.

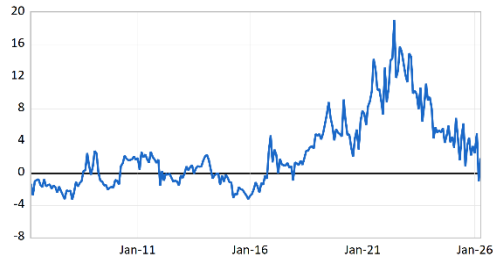
The goods trade balance returned to surplus in April (Figure 6). This reflected higher exports, particularly of metal ores and minerals. Imports grew further, despite previously increasing significantly due to higher imports of automated data processing equipment for data centre expansions. The growth in April reflected an increase in the value of fuel and lubricant imports.

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



Source: RBA, up to May 2026.

Figure 6: Goods Trade balance
($ billion)



Source: ABS, up to April 2026.

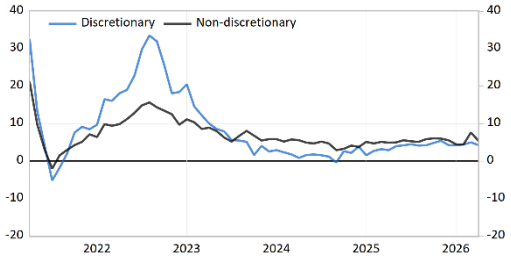
[1] Our nowcasting model uses monthly information regarding the labour market, housing and business lending, consumption, housing approvals, consumer expectations, trade conditions and commodity prices to gauge current economic conditions. It includes judgement.

Consumer sentiment declines …

The Westpac-Melbourne Institute Consumer Sentiment Index fell by 2.9 per cent in June, to be 12.9 per cent lower than a year ago and remaining at a very pessimistic level. The nowcasting model focusses on the Current Conditions Index (CCI), which declined due to a 7.5 per cent weakening in perceptions about the current state of family finances. The other component, namely attitudes about whether it is a good time to buy a major household item, improved slightly, but remained very pessimistic. Overall, the CCI continues to point to weakening consumption growth (Figure 8).

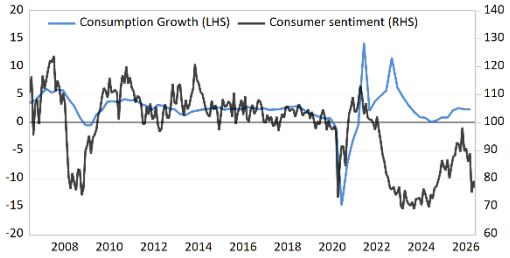
The ABS Monthly Household Spending Indicator (MHSI) fell by 1.1 per cent in April, following strong growth in March, but remains 4.9 per cent higher over the year. The nowcasting model includes year-ended growth in discretionary and non-discretionary spending separately; the former edged lower, while the latter reversed much of its previous increase (Figure 7). In April discretionary spending fell due to lower expenditure on air travel, clothing and footwear. The ABS noted that the decline in air travel reflected higher jet fuel costs causing flight cancellations, and that electric vehicle sales rose sizably. Non-discretionary spending declined sharply, with less motoring, road and rail expenditure. The cut to the fuel excise, and free public transport in some states, underpinned the decline. Spending on food also fell, unwinding last month's strength. The timelier Westpac-DataX Card Tracker Index points to weaker consumption growth than the 0.5 per cent achieved in the March quarter.

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



Source: ABS, up to April 2026.

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



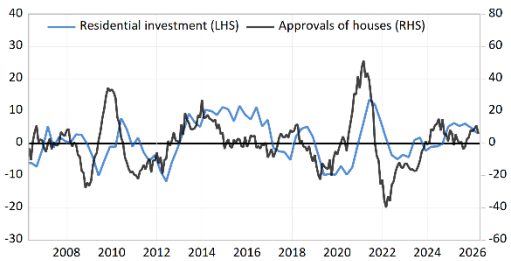
Source: ABS and MI, up to June 2026 (sentiment).

Dwelling approvals decline again…

Residential investment grew by 0.7 per cent in the March quarter. Dwelling approvals fell by 3.4 per cent in April, with declines across all building types. The nowcasting model focuses on houses, which are less volatile, and remained 7 per cent higher over the year (Figure 9). While residential investment may grow in the June quarter, it is unlikely to contribute much to growth. The other housing indicator included is year-ended growth in housing credit, which edged higher in April (Figure 10). A moderation in credit growth is likely given the increases in interest rates.

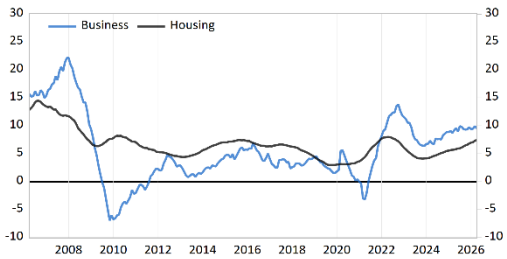
Turning to the outlook for business investment, year-ended business credit growth ticked down, but remains robust historical standards, having been around this level since mid last year (Figure 10). Business confidence, as measured by Monthly NAB Business Survey, improved further in May, but remains pessimistic. Business investment was a key source of output growth in the March quarter due to data centre expansions.

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



Source: ABS, up to April 2026 (approvals).

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



Source: RBA, up to April 2026.

Next release: 30 July 2026.

Melbourne Institute Nowcast of Australian GDP

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.

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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