



December 2025

WESTPAC COAST-TO- COAST

Your quarterly report on Australia's state economies.

WESTPAC COAST TO COAST – DECEMBER 2025

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Authors:

Sian Fenner, Head of Business & Industry Economics
Pat Bustamante, Senior Economist
Neha Sharma & Ryan Wells, Economists

Internet: www.westpac.com.au

Email: economics@westpac.com.au

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Momentum builds as upswing broadens

Pat Bustamante
Senior Economist

Australia's economic recovery gathered momentum through 2025 as the upswing broadened to businesses and the construction sector. Government spending also resumed its climb after contracting in the first half of the year. Amid a recovery in real incomes, household spending strengthened over the calendar year.

The Australian economy grew by 0.4%qtr in the September quarter. This increase and revisions to previous activity estimates left year-ended growth at 2.1% – the strongest since the September quarter 2023. Headline growth masked a solid increase in domestic demand, which was offset by volatile inventories, net exports and the statistical discrepancy.

New private demand grew a brisk 1.2% in the September quarter and 3.1% over the year. Outside the pandemic period, we have to go back to the mining investment boom to see quarterly growth rates of this magnitude. Like then, the surge in Q3 2025 was driven by business investment – but this time it was in data centres and civil aviation, not LNG and mining structures.

New business investment grew 3.4%qtr and 3.8%yr with investment increasing across most of the asset classes, including machinery (7.5%qtr and 6.2%yr); investment in intangibles such as computer software (2.4%qtr and 7.2%yr); and new buildings (2.0%qtr and 2.1%yr). And while data centre fit outs and the purchase of civil aircrafts were the main contributors to the boost in machinery, capex data showed that the lift was slightly broader to also include some consumer facing industries (such as accommodation and food services) and some business facing industries (such as administrative and support services).

Growth in consumer spending eased back to 0.5%qtr, after the effect of the one-off factors seen in the June quarter faded, with the pace remaining firm (around 2¼%yr) in comparison to the post-pandemic norm.

At the same time, new public demand resumed its climb in the September quarter after falling in the first half of 2025. Public infrastructure work stabilised and increased in Q3 following three consecutive quarters of decline, as a new large-scale project commenced in South Australia.

Firmer recovery as 'handover' risks fade

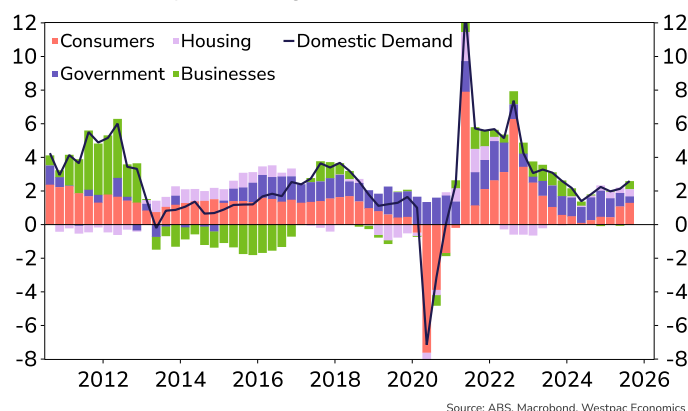
Downside risks associated with a 'shaky handover' have not materialised, as the pickup in private spending has been stronger than expected, more than offsetting the slowdown in public demand.

As a result, we have revised our GDP forecasts 0.2ppts higher in 2025 to 2.2%yr and left forecasts for 2026 and 2027 unchanged at 2.4%yr and 2.5%yr, respectively (see our [Market outlook](#)). We have also revised our Gross State Product (GSP) forecasts to reflect the firmer near-term outlook for private demand.

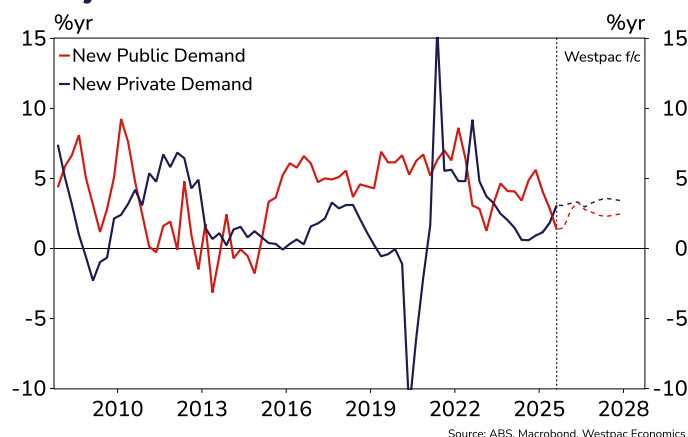
Near-term prospects differ according to relative population growth and the pace of the handover from public- to private-led drivers. However, all states are expected to see growth in GSP accelerate over the forecast period, with growth in the 2027FY expected to more closely converge across the states (see [Page 4](#)).

Domestic demand growth continues to advance

Contributions to year-ended growth



'Shaky handover' risk has faded



2025 in review: States converge ...

Pat Bustamante
Senior Economist

Elevated commodity prices and stronger-than-average population growth saw the mining states outperform as the economy emerged from the pandemic. The 2025FY State Accounts suggest this dominance may now be fading as growth drivers rebalance toward private rather than public demand, commodity prices ease, and population growth rates normalise.

Population growth continued to normalise as economic activity steadied and broadened through FY2025. Gross State Product (GSP) growth picked up to 2.2% in year-average terms in Qld and lifted to 1.3% in WA. The consumer-led states of NSW and Vic recorded GSP growth of 0.9% and 1.1%, respectively, while SA and Tas both grew by 1.0%. Despite these differences in growth rates, easing commodity prices weighed on incomes and purchasing power: Qld and WA were the only states to record declines in real (price-adjusted) state incomes, falling by 0.5% and 2.2%, respectively.

This could partly explain why household consumption growth over FY2025 moderated in WA (+1.3%) and Qld (+2.4%) but picked up in other states—particularly in the consumer-led economies of NSW (+0.8%) and Vic (+0.9%), albeit from low levels. While the consumer showed more signs of life, business investment remained a weak spot, increasing only in NSW (+1.2%) and falling elsewhere, including a sharp 4.0% decline in Tas. Private housing construction was strong in states with robust population growth, including SA (+10.2%), WA (+5.2%) and Qld (+3.7%). Growth in public demand varied across states, maintaining solid momentum in Qld (+6.1%), SA (+7.4%) and Tas (+10.9%), but showing signs of slowing elsewhere.

In the external sector, net exports made a positive contribution to GSP growth in NSW for the first time since FY2020, driven by a pickup in agriculture-related exports, while detracting sharply in SA as severe drought cut agricultural output and exports. The drag from net exports persisted in WA—subtracting around 2.8 percentage points from growth—as weather disruptions and maintenance reduced mining output and exports.

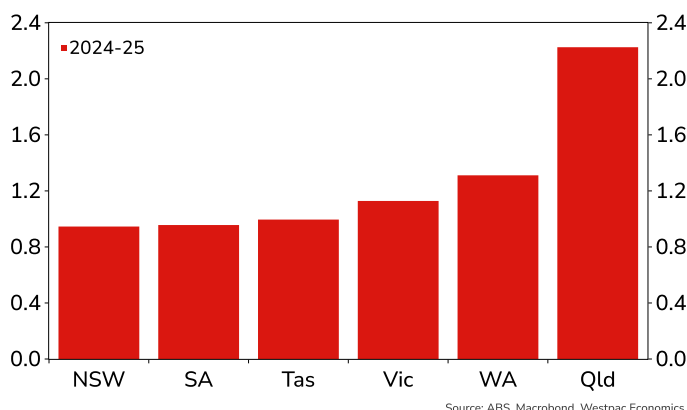
There are several reasons for optimism. Per capita consumption—an indicative measure of living standards—stabilised across states after falling sharply in FY2024. NSW remains ahead of the pack, followed by WA, where per capita consumption now exceeds levels recorded in Vic. Consumption stabilised as real per capita incomes rebounded strongly over FY2025, supported by moderating inflation, Stage 3 tax cuts flowing from 1 July 2024, and, to some extent, lower interest rates. This boost should see consumption continue to grow and eventually spill over into business investment. A sustained pickup in private demand is needed to offset slowing public demand.

Momentum extended beyond FY2025

The September quarter National Accounts confirmed that growth in domestic demand continued to accelerate, with this

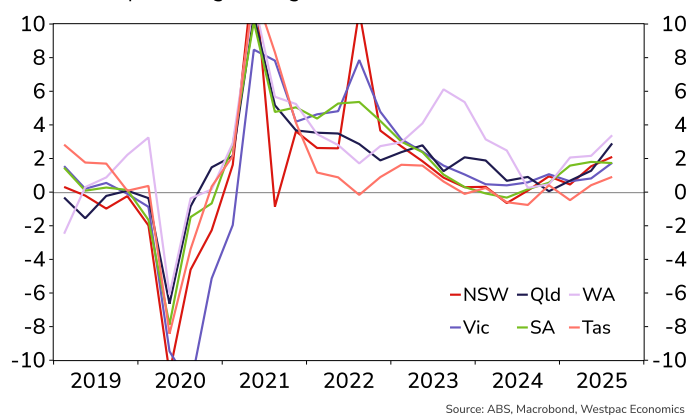
Gross State Product

Growth from 2023/24 to 2024/25

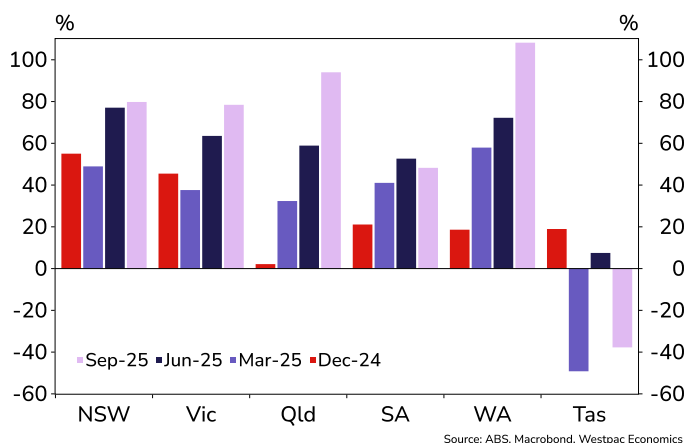


Growth in state final demand firms

Year-ended percentage change



Private share of state final demand

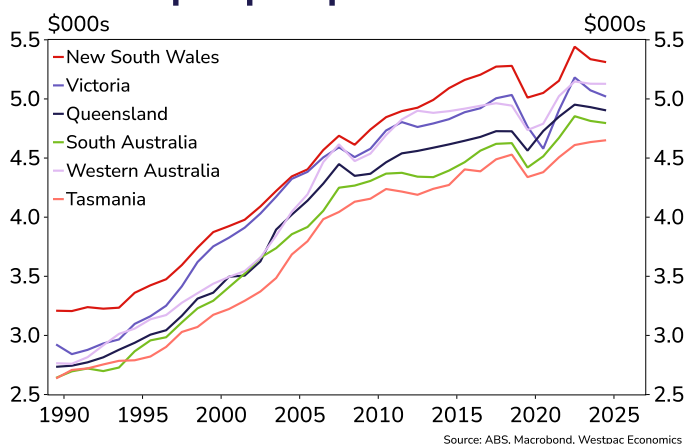


... as growth firms and rebalances ...

momentum broadening across states. Household consumption remained a positive contributor nationwide, but the real surprise was business investment, which surged across the eastern states—lifting in Qld (+5.3%qtr), NSW (+4.2%qtr) and Vic (+3.6%qtr).

Much of this strength reflected data centre fit-outs and civil aircraft purchases. However, we also saw a nascent pickup in consumer-facing sectors, suggesting a more permanent lift

Real consumption per capita



rather than a temporary spike. Expectations in the ABS Capex Survey align with this outlook, pointing to further investment growth over FY2026: Qld (+10% nominal capex), SA (+9.6%), WA (+7.6%) and NSW (+5.5%), with more moderate gains in Tas (+5.0%) and Vic (+1.0%).

Investment in renewables and data centres to support private investment, but risks remain

This aligns with our outlook for business investment, where we expect a modest recovery over the next few years. First, more cyclical industries—such as retail and construction—are likely to expand capacity on the back of a stronger consumer, investing in equipment, floorspace, and new products.

Second, as highlighted back in our June Coast-to-Coast, structurally driven industries such as information media and telecommunications (e.g. data centres) and energy generation, storage, and transmission are entering a new wave of investment. The Federal Government has reaffirmed its commitment to an 82% renewable energy target by 2030 and introduced a new emissions reduction target of 62–70% below 2005 levels by 2035, which would require 90% of electricity to come from renewables. Achieving the ultimate 2050 net-zero emissions goal will demand unprecedented investment in energy generation, storage, and transmission—supporting private activity and further shifting growth drivers from public to private demand.

The potential pipeline of utility investment projects (electricity, water, and gas) is at a record high of around \$340 billion—roughly 13% of nominal GDP. Of these, about 200 renewable projects (generation, storage, and transmission) have known costs totalling around \$290 billion, up sharply from last year's pipeline of 100 projects worth \$55 billion. States most likely to benefit include NSW (\$85bn, 35%), Qld (\$68bn, 28%), WA (\$26bn, 10%), and Vic (\$26bn, 11%). Most projects are located in regional areas (see map on [Page 7](#)), meaning local economic impacts could be significant.

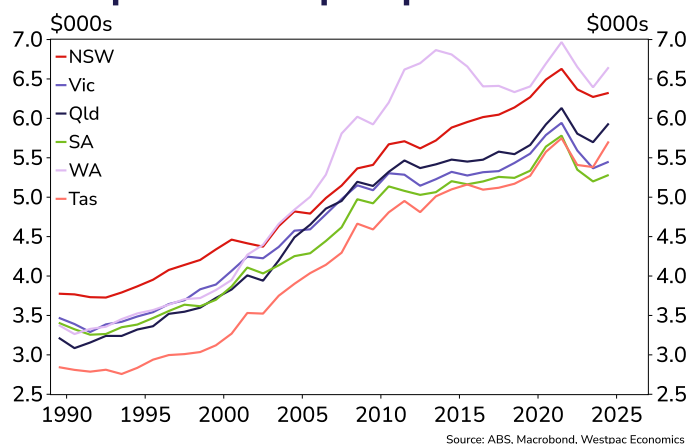
Meanwhile, the pipeline of data centre and related projects has grown to around \$40 billion across 20 projects, with \$30 billion under construction or consideration—including AWS expansions in Sydney and Melbourne.

However, risks remain—particularly for energy projects. Approval delays and reduced support for renewables in some jurisdictions have emerged, with the Queensland Government cancelling projects such as the Moonlight Ridge wind farm. Several businesses have also scaled back plans: BHP abandoned major solar and battery projects in WA, and Fortescue cancelled two large green hydrogen projects.

Public demand should moderate as state budgets come under pressure

Along with the Federal Government, several jurisdictions have released their mid-year budget updates. The 2025–26 MYEFO suggests that the Federal fiscal impulse remains sizeable at around 1.25 percentage points of GDP (see [here](#)) but is essentially flat across the states. Several state governments have seen their credit ratings come under pressure this year as expenses have blown out while the expected recovery in revenue has not materialised. Following last year's downgrade of NSW's credit rating, S&P downgraded Qld's rating from stable to negative in February 2025 and revised the ACT's rating to stable. Tas was also downgraded from stable to negative this year by Moody's.

Real disposable income per capita



... renewables drive the next wave

This suggests there is limited scope for most states to further tap debt markets without paying a premium. This is consistent with our outlook for public demand, which sees public consumption slowing across the states, particularly as governments are no longer providing cost-of-living relief measures. Additionally, we expect public investment to remain elevated going forward but not to be a significant driver of economic growth.

Bringing it all together

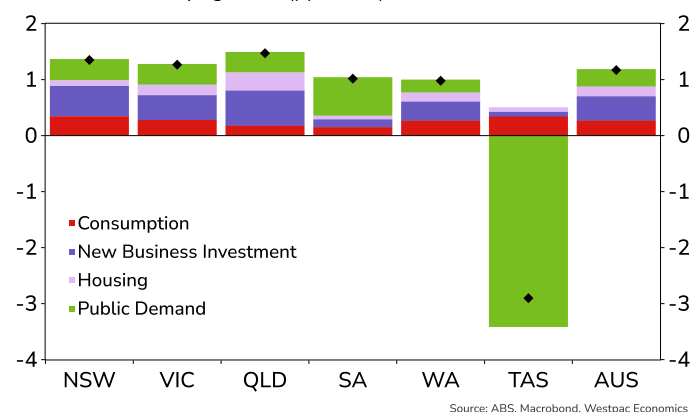
Our updated forecasts point to a convergence in economic conditions over the coming years. This reflects the growing importance of private demand, normalising population growth rates, and easing commodity prices.

On a fiscal-year average basis, national GDP growth is expected to rise from an actual outcome of 1.4% in FY25 to 2.2% in FY26 and 2.5% in FY27. Over the forward years, Qld and WA are expected to slightly outperform, while NSW and Vic catch up as private demand strengthens. Upward revisions to our state-based forecasts have mainly affected consumer-led states, reflecting a stronger-than-expected rebound in private demand.

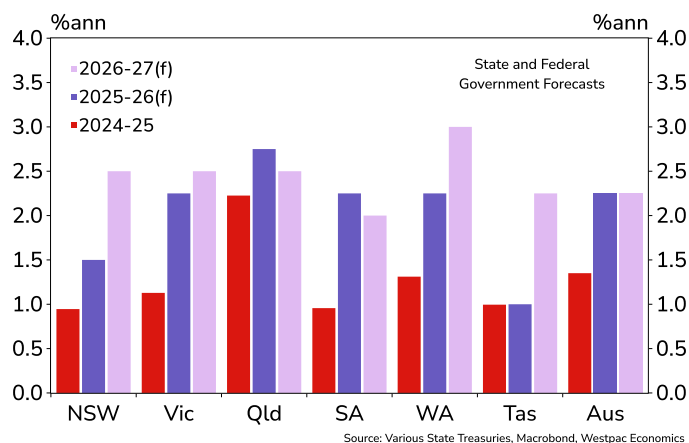
Overall, differences in underlying growth are expected to narrow, although gaps in labour productivity performance may persist for longer. Productivity in the mining states has declined, partly due to headwinds affecting mining investment and output—some of which are likely to continue. Consumer-led states (NSW and Victoria) and South Australia have also experienced sluggish productivity growth, driven by a shift toward non-market sector activity and a fall in the capital-to-labour ratio. Productivity in the market sector, however, has held up well. We expect some improvement as growth rotates back toward the market sector and the capital stock begins to lift.

State Final Demand

Contributions to Q3 growth (ppts ann)

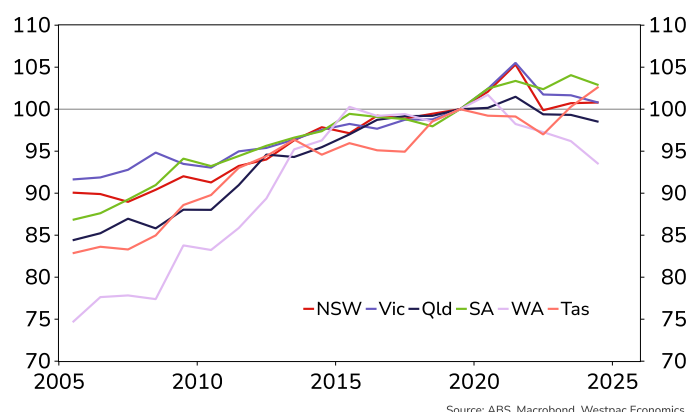


Gross State Product

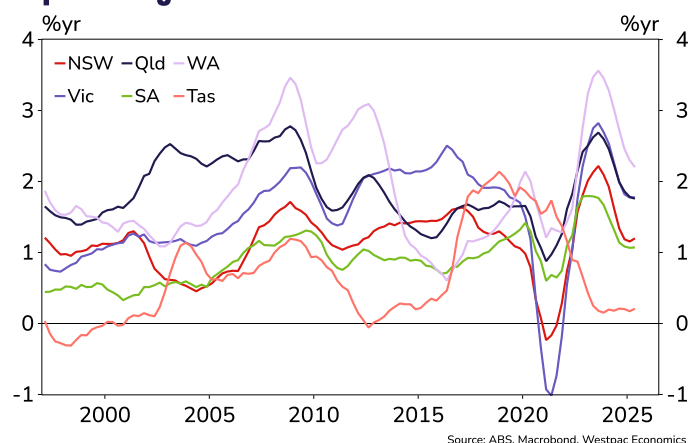


Productivity by state

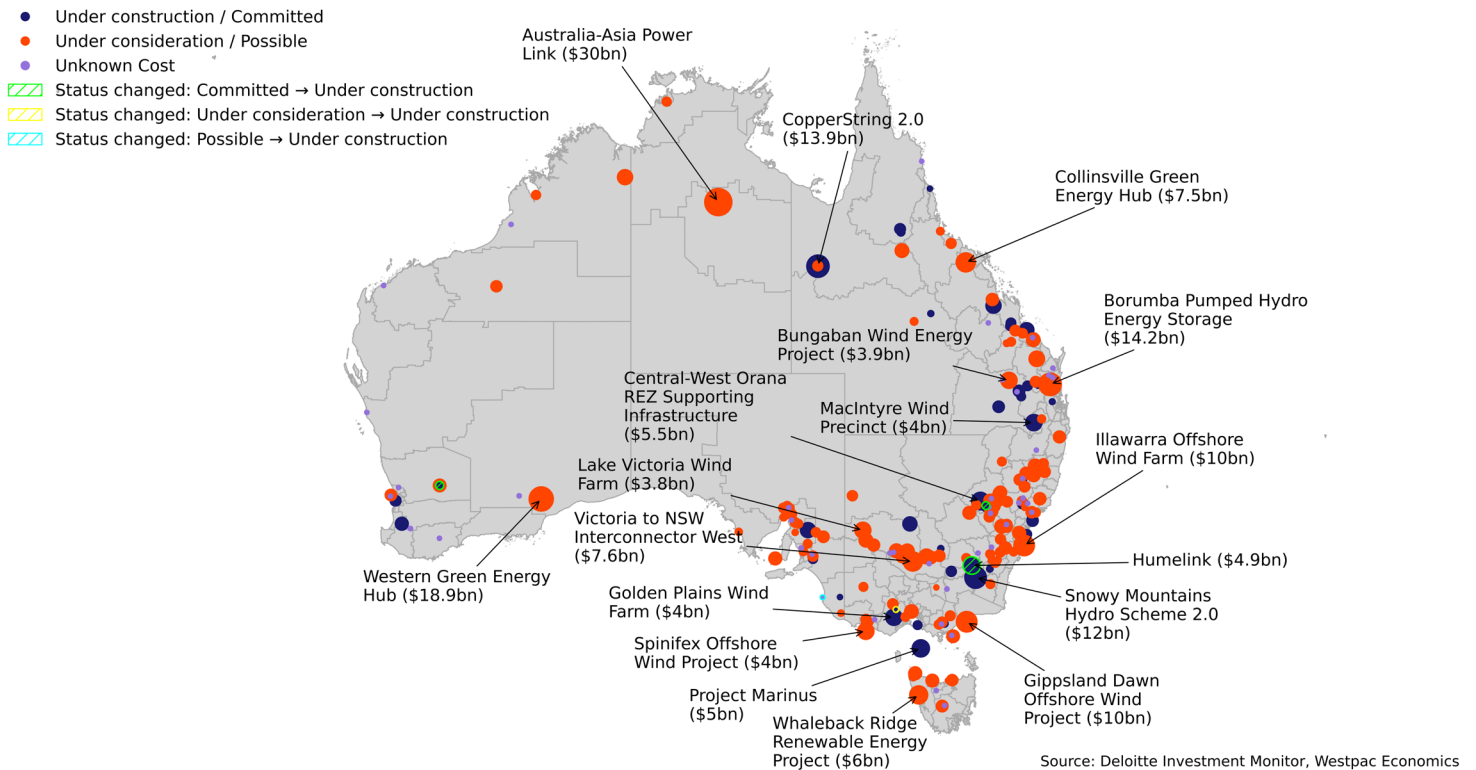
Index 100 = 2020FY



Population growth continues to normalise



Record high renewables pipeline across Australia



Economic tailwinds widespread ...

Neha Sharma
Economist

NSW powers ahead with its largest demand surge in years. The growth outlook is supported by a relatively stronger labour market, constructive sentiment, and the energy transition.

How has the state performed? NSW state final demand jumped 1.4%qtr and 2.6%yr in September 2025. Excluding the COVID period, this marks the strongest quarterly rise since March 2016 and around 0.6ppts above the long-run average. Per capita growth has staged a sharp turnaround, lifting from the nation's weakest a year ago to the second strongest behind SA, at 1.0%yr.

A key stat that tells the story. NSW sits on the softer side for household consumption per capita, up just 0.3%yr, likely reflecting a relatively modest rise in average compensation at 6.2%yr – the second lowest after Qld. More recently, momentum has improved, with consumption lifting a firmer 0.6%qtr, sitting above the national average. The outlook is encouraging: NSW boasts the lowest unemployment rate (4.1% trend rate) and the highest consumer sentiment. On a 3-month average basis, it is the only state where sentiment is still 'net positive'.

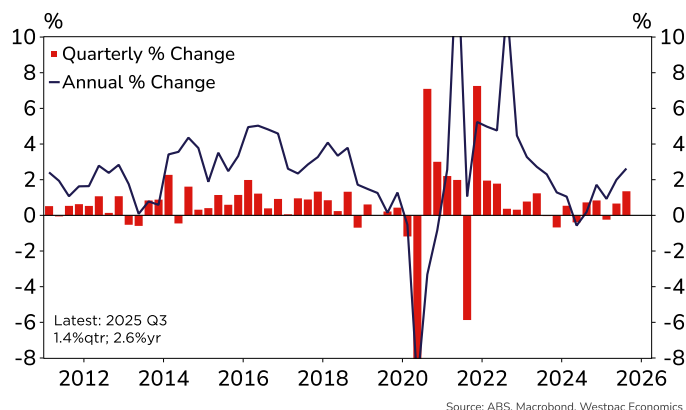
What has surprised? New business investment was the second strongest nationally (4.5%qtr, 6.6%yr), the standout being engineering construction – surging 8.0%qtr and a staggering 23.5%yr. This is remarkable given every other state is seeing flat or negative growth. NSW has emerged as a key beneficiary of the renewables boom (see [Page 5](#)) and the pipeline outlook looks promising. Of the current renewables projects that are under consideration (excluding those without a cost) around 32% are in NSW, totalling just over \$70bn, noting that not all these projects will come to fruition.

How can things improve? A sustained lift in dwelling investment is critical. The September quarter delivered a 3.2%qtr rebound in new dwelling investment, but this followed two quarters of decline. Conditions are lining up for further gains. NSW leads the approvals pipeline, with total dwelling approvals up 14%yr on a 3-month moving average basis. Construction cost pressures are easing with house build cost growth having been flat over the year, while other residential (including higher density projects central to the government's housing agenda) has slowed to 3.8%yr, from a peak of 11%yr.

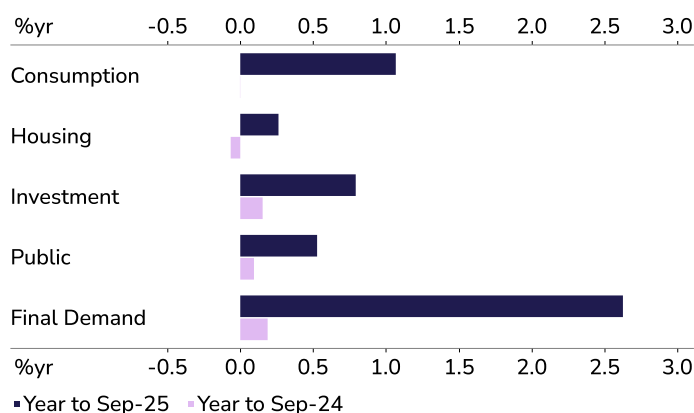
Outlook for the economy. We have upgraded our GSP forecasts to increase 2.0% in FY26 and 2.4% in FY27. The consumption outlook is constructive which will feed through to consumer-facing businesses. Additionally, NSW government has recently green lit the construction of a \$3.1bn data centre – the largest in the Southern Hemisphere – which should be supportive for the economy and jobs growth. Promisingly, NSW is the only mainland state where non-residential construction cost growth continues to trend lower.

NSW State Final Demand

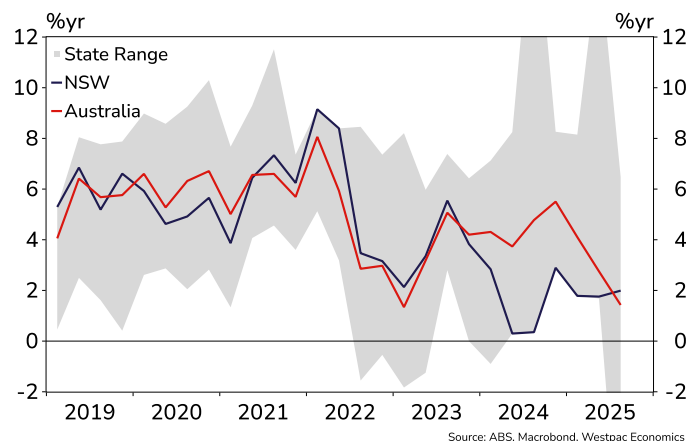
Chain Volume Measures



NSW: contributions to state final demand

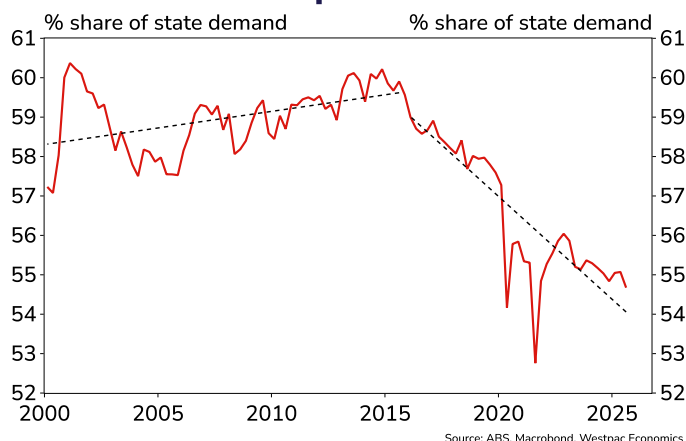


Public demand slowdown looks to have stabilised

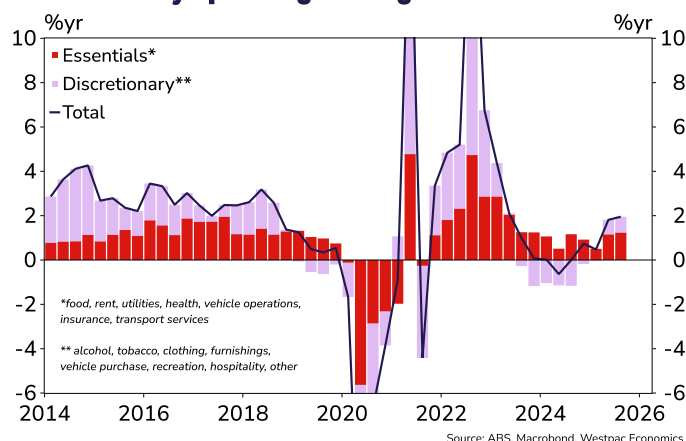


... despite a pushed out rates outlook

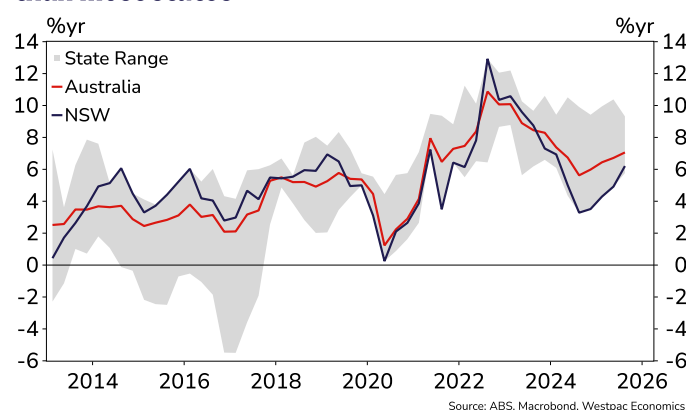
NSW Household Consumption



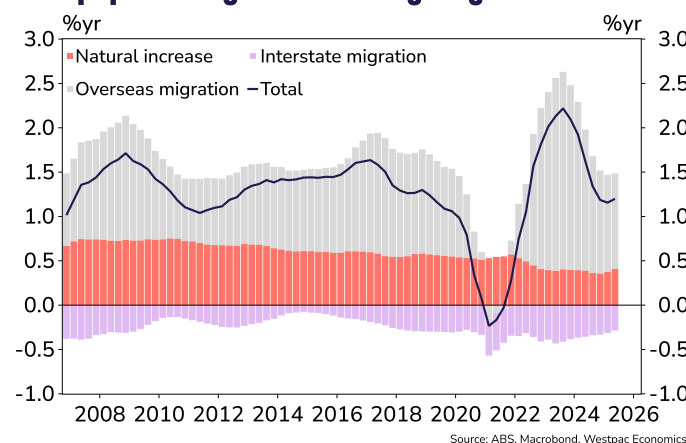
Discretionary spending making a come back



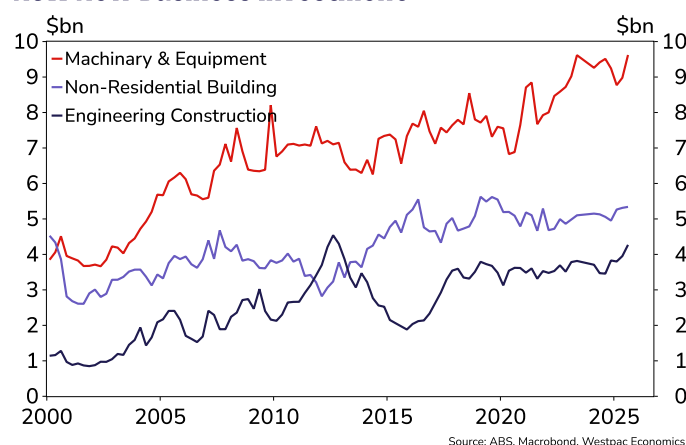
NSW nominal worker compensation tracks lower than most states



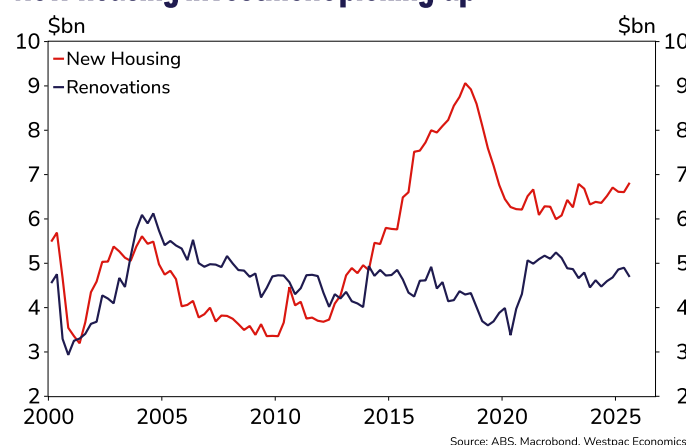
NSW population growth nearing long-run levels



NSW New Business Investment



New housing investment picking-up



Population growth supports economy ...

Neha Sharma
Economist

Victoria rebounded strongly after a weak patch, but underlying momentum is fragile. Gains are population-driven, and investment is uneven, even as strong labour participation offers some resilience.

How has the state performed? Vic's state final demand rose 1.3%qtr – the strongest lift since March 2018 (excluding COVID) – taking annual growth to 2.2%yr in September 2025. This marked a sharp turnaround from last quarter, when Vic posted the weakest result nationally, to now sitting slightly above the national average.

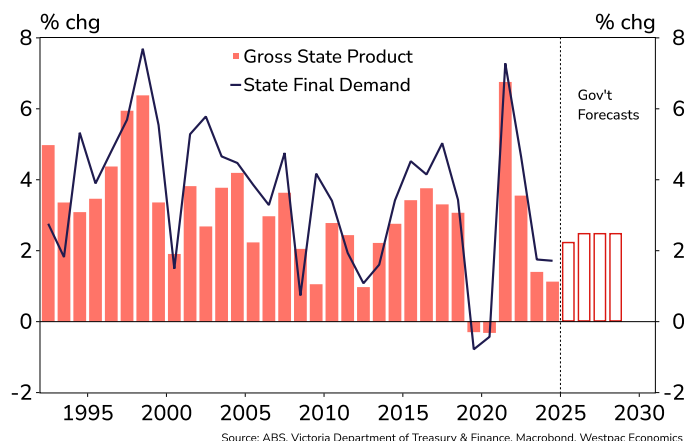
A key stat that tells the story. Population growth is driving much of Vic's improvement. State final demand per capita is the lowest among mainland states at just 0.1%yr. Household consumption per capita hasn't improved over the past year despite Melbourne facing the lowest inflation nationally and above average employee compensation growth. A key reason may be the state's nation-high unemployment rate (4.7% trend) and sluggish savings recovery. The **Westpac-DataX Consumer Panel** data show savings have risen only 8% in nominal terms since end-2021, compared with 18–28% in other states. After adjusting for inflation, balances are still 10% lower – the weakest nationally.

What has surprised? Private investment dynamics have been mixed. Unlike NSW, Vic's new engineering construction has been undeniably weak – down for four straight quarters and now –17.4%yr, the weakest among mainland states. At the other end, M&E investment surged 8.3%qtr to be 13.5%yr higher, while non-residential construction posted its first rise in over a year, likely aided by the data centre boom, but is still –7.4%yr lower. Intellectual property has been the one consistent bright spot, up 8.5%yr. Overall, new business investment is up just 1.2%yr – the second weakest of the mainland states. New dwelling investment also lags, the weakest nationally at 3.3%yr, with dwelling approvals down –8%yr, the only state in decline. Adding to the woes, housing prices have faltered quickly in the current upturn. Melbourne only exited monthly price falls in February, peaked at 0.7%mt in October, then slowed to 0.3%mt in November, with daily measures tracking near 0–0.1%mt so far in December.

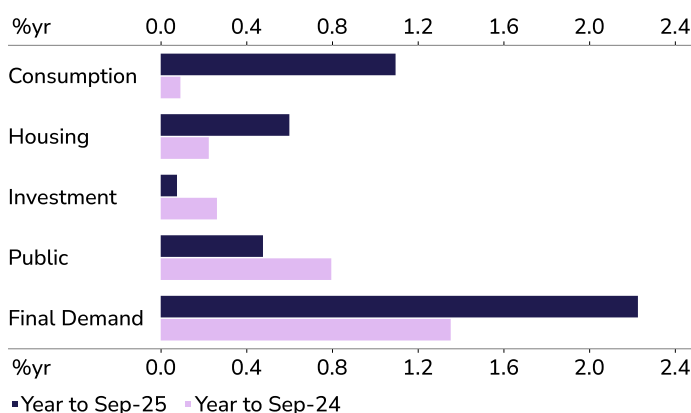
How can things improve? A broad-based and sustained uplift in investment is critical. Vic businesses currently report the weakest conditions nationally, weighed by soft trading and profitability. Construction cost growth – both residential and non-residential – are showing signs of picking up again, adding pressure. On the plus side, firms report strong employment conditions, likely supported by Vic's nation-leading labour participation rate.

Outlook for the economy. We have upgraded our GSP forecasts to 2.2% in FY26 and 2.5% in FY27. Employment growth is expected to slow to 1.3% in FY26.

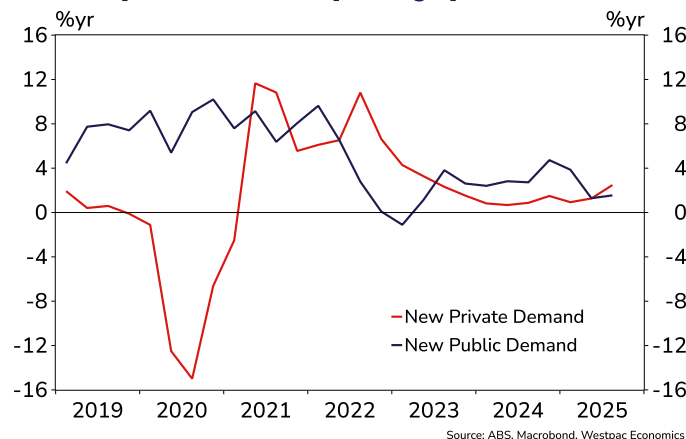
Vic Gross State Product & Final Demand



Vic: contributions to state final demand

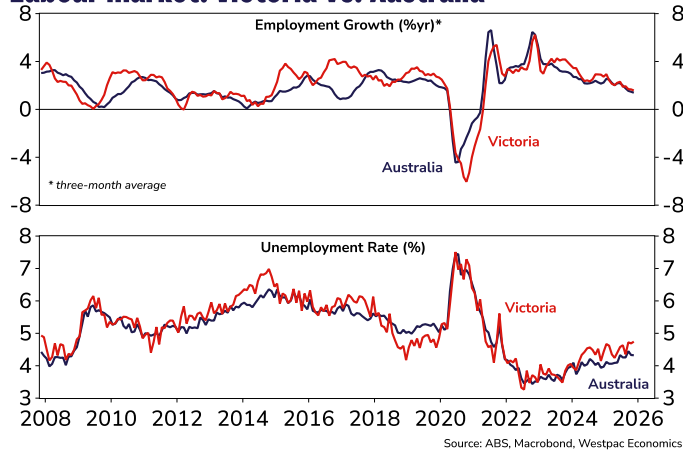


Victoria private demand picking up

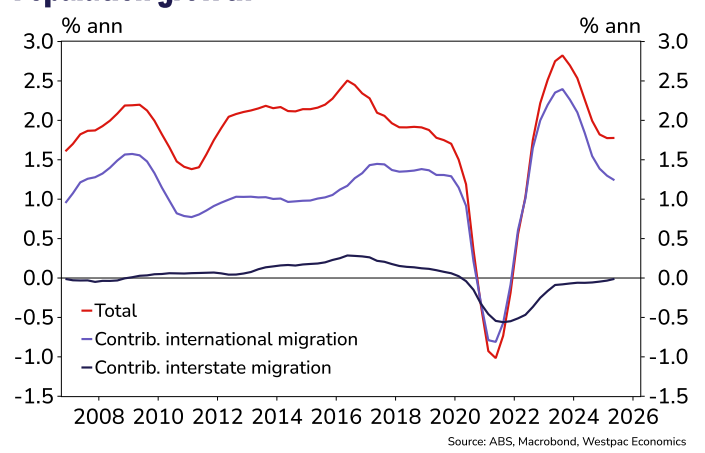


... private investment details mixed

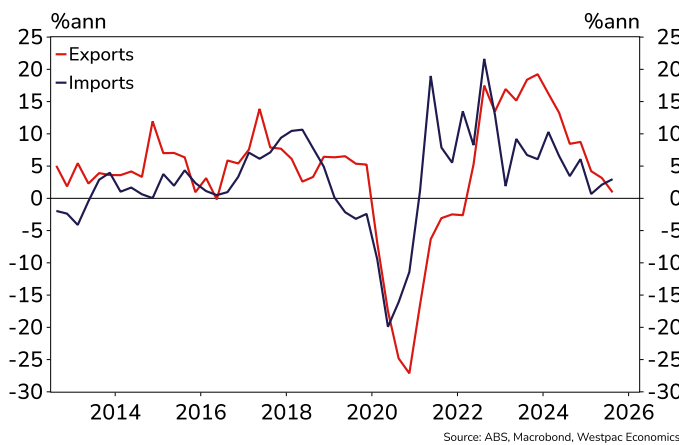
Labour market: Victoria vs. Australia



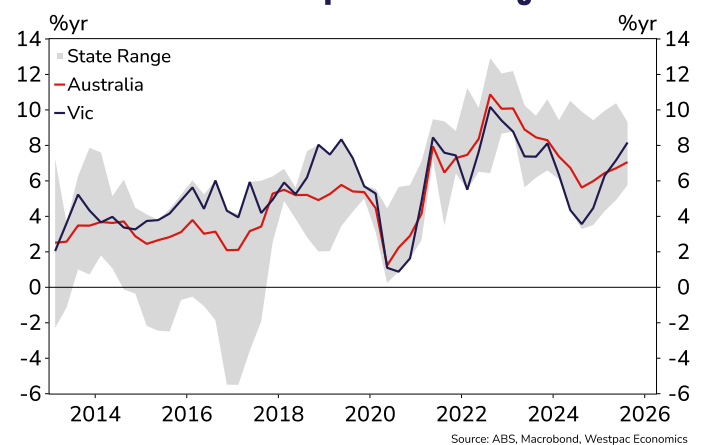
Population growth



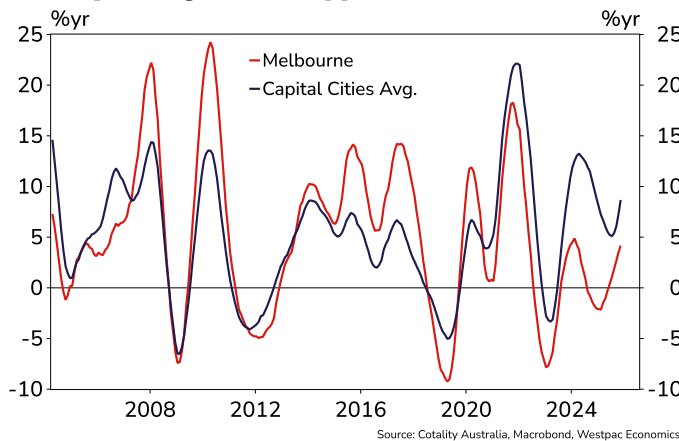
Victoria's international trade



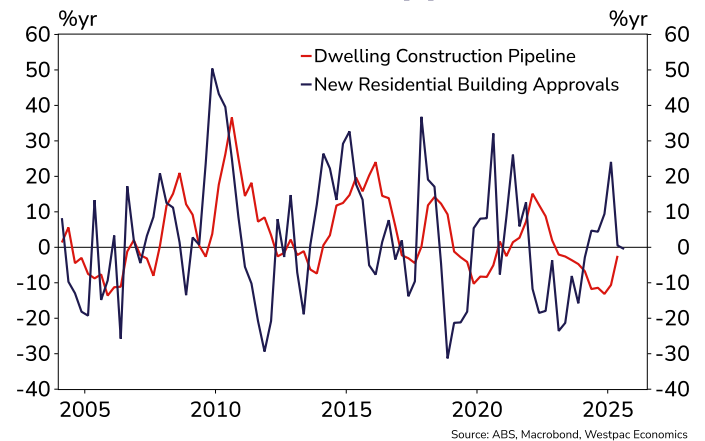
Vic nominal worker compensation rising



House prices growth reappears in Melbourne



Vic's residential construction pipeline



Private demand picking up steam ...

Ryan Wells
Economist

Queensland's growth performance and future prospects remain enviable. Not only has the public sector 'handed over' growth smoothly to the private sector, which is running ahead at a solid pace, but there are also signs that the pulse is broadening beyond consumers, toward businesses. Public demand is unlikely to continue growing at a sub-1% for much longer, though. With more support set to come from investment in renewable energy projects and major infrastructure ahead of the Olympics, Queensland is positioned well to continue outshining other states.

How has the state performed? Queensland had a solid showing in Q3, the 1.5% lift in state final demand being the largest out of all the states for the quarter. This boosted the annual growth rate to 3.1% – comfortably outperforming the other major eastern states, but still below the state's historic average pace (3.9%yr).

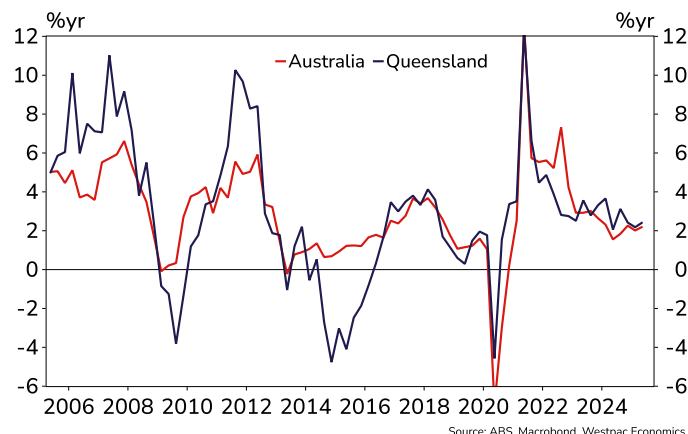
A key stat that tells the story. For the first time in two years, year-ended growth in new private demand has risen above new public demand, with the former now responsible for over 90% of annual growth in state final demand. It is clear that the 'handover' of growth from the public sector to the private sector has transpired smoothly, facilitating the longest period of outperformance relative to the national average since the pre-GFC period.

What has surprised? Growth in household consumption was softer in Q3, but the year-ended growth pace has surged to a nation-leading pace, at 3.7%yr. While part of this 'jump' reflects a fading of base effects related to state energy rebates, the growth pace over the past year highlights the genuine strength of Queensland households, bolstered by a stronger recovery in real household disposable incomes over the prior year. Inflation dynamics will be important to watch over the period ahead, though – the recent lift in headline inflation has been particularly acute in Brisbane, and if sustained, it could act as a relatively larger headwind moving forward.

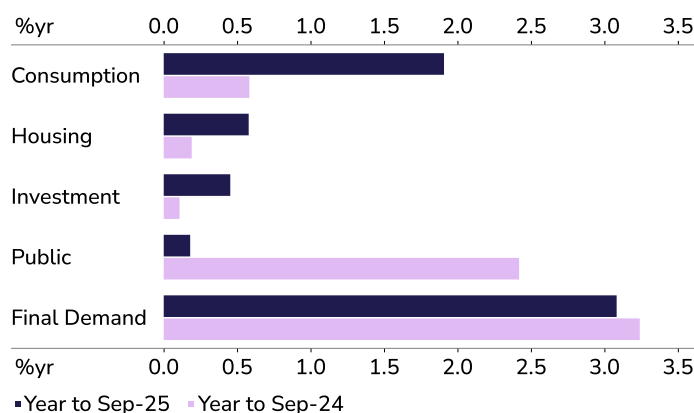
What can improve? The final 'frontier' to fully round out Queensland's growth profile is new business investment. The 5.4% gain in Q3 was compelling, although we are wary of some lumpy categories like data centre fit outs and aircrafts that may have buoyed this latest result, extending a period of patchy gains in new business investment over the past couple of years. But in the context of a strong upswing for the consumer, it hints at the possibility of a broadening growth pulse across the state.

What are we expecting? Our forecasts for Queensland's GSP are broadly unchanged, with growth of 2.5% and 2.6% expected in FY25 and FY26 respectively. This is consistent with the sunshine state remaining front-runner compared to other states over the next couple of years, given the solid outlook for investment and a strong underlying consumer.

State final demand: Qld vs Australia

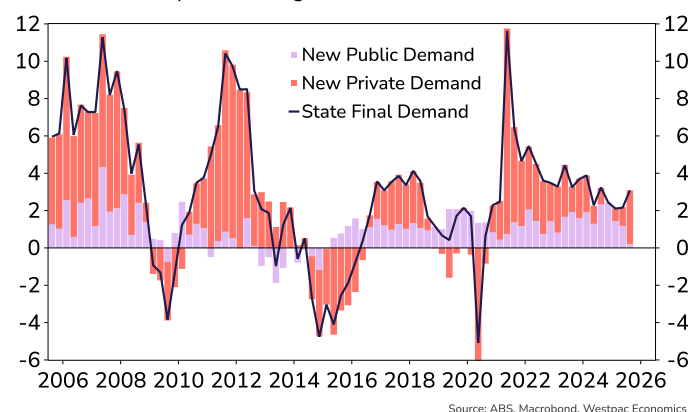


Qld: contributions to state final demand



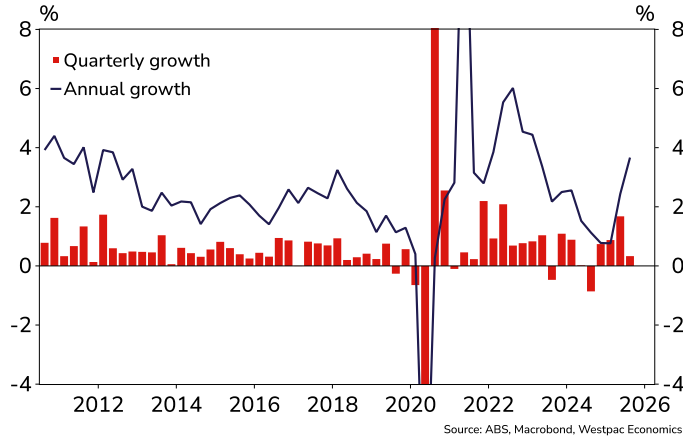
Handover of growth from public to private

Contributions to year-ended growth

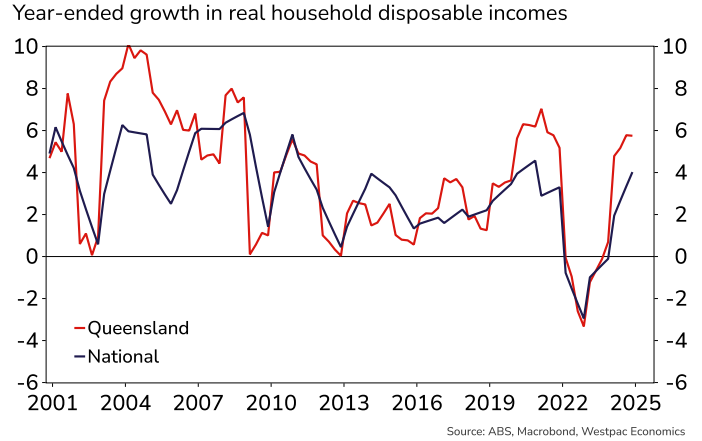


... positioned well to outperform

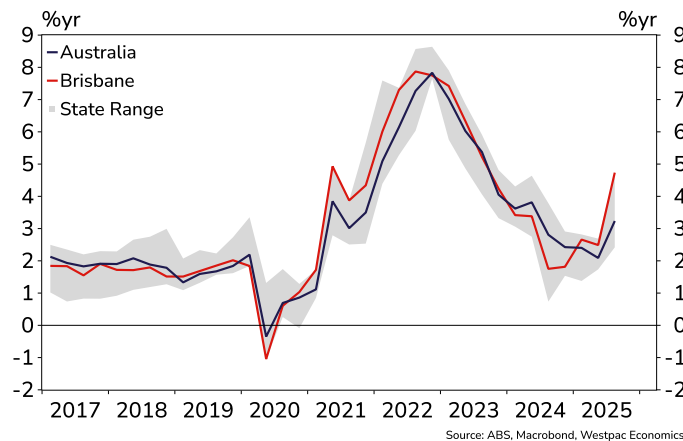
Momentum building in household consumption ...



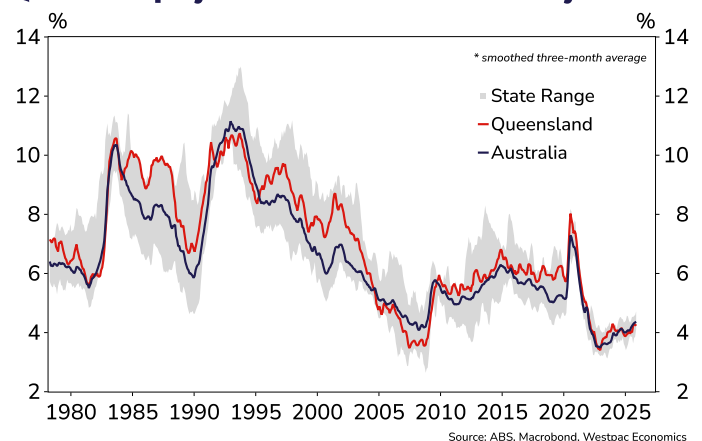
... thanks to a solid recovery in real incomes



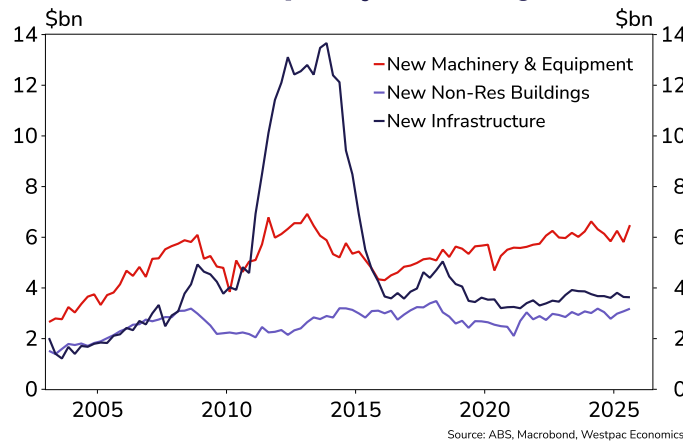
A sustained lift in inflation could be a headwind



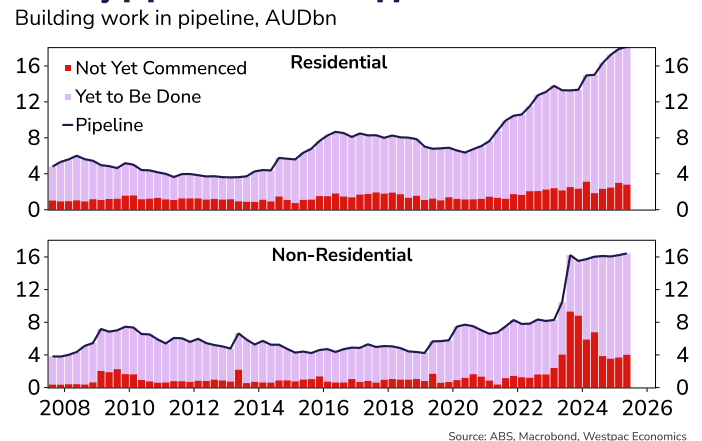
Qld's unemployment rate remains relatively low



Business investment patchy, but some green shoots



Healthy pipeline will lend support



Private demand offsets mining malaise ...

Sian Fenner

Head of Business & Industry Economics

WA's economy has performed better than expected given the mining malaise of the past year. Growth is forecast to accelerate to 2.2% in FY26 as mining and exports recover and household spending remains solid, before lifting to 2.4% FY27. There is a risk that more renewable projects are shelved but this could be offset by stronger mining investment in gold and critical minerals.

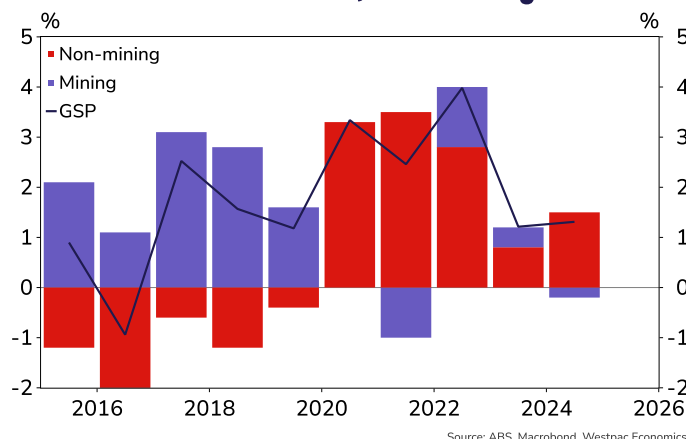
How has the state performed? WA's real GSP rose 1.3% in FY25 as robust activity in residential construction and solid gains in consumer facing industries, offset a fall in mining (42% of GSP). Bumper grain harvests also boosted agriculture activity and exports. The strength in private domestic demand continued in Q3. SFD expanded 1.0%qtr with annual growth steady at 3.1%. Growth was broad-based across household consumption and private investment, with both above national averages. The gains helped offset slower public demand, which despite a 0.9% gain in Q3, was lower than a year ago.

A key stat that tells the story: WA's goods export receipts rebounded 8.4%qtr in Q3. However, growth remains modest at 2.1% ytd to October. Total exports (55% of GSP) and the mining sector are integral to WA's economic performance. The loss of mining jobs and spillovers to the transport sector have been key drivers of the sharp slowdown in the state's employment, which eased to only 0.6%yr in November. To date, the impact on the domestic economy has been limited with robust employment growth across many other sectors. Real labour income growth grew by a solid 4.8%yr in Q3, which will continue to support household spending. Business confidence has also been strong, despite the recent dip.

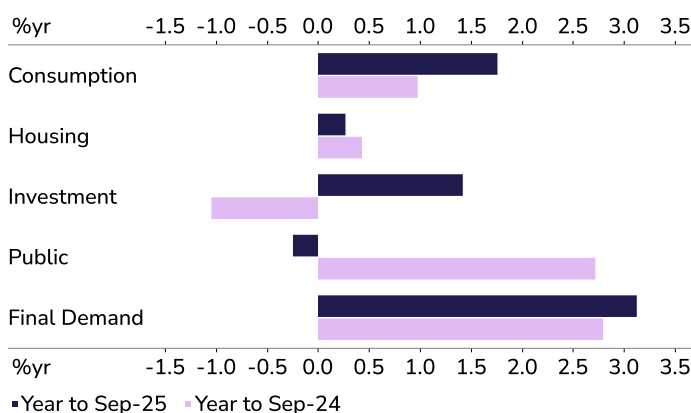
How can things improve? WA's population growth is running at 2.4%yr, 1ppt above the national pace, underpinning solid growth in GSP outside of mining. However, housing supply remains very tight. While dwelling approvals have lifted from their lows they remain below what population growth implies. Perth's rental vacancy rate is very low, 0.5%, while rental price inflation and house price growth continue to outpace the national average. The surge in rental inflation, combined with the end of State government electricity rebates, pushed Perth CPI rise to 4.5%yr in Q3 above the national average of 3.2%yr.

Where are we expecting? We expect GSP to pick-up to 2.2% in FY26 and 2.4% in FY27. Exports will be less of a drag on growth as mining activity recovers from earlier disruptions. Robust private demand is expected to offset softer public investment, with household spending supported by strong fundamentals. Although building approvals point to some moderation in dwelling investment, this will be partly offset by solid non-residential construction. WA retains a solid renewable pipeline despite the cancellation of some projects. While further projects may be shelved, mining investment may ramp up in sectors such as gold and critical minerals.

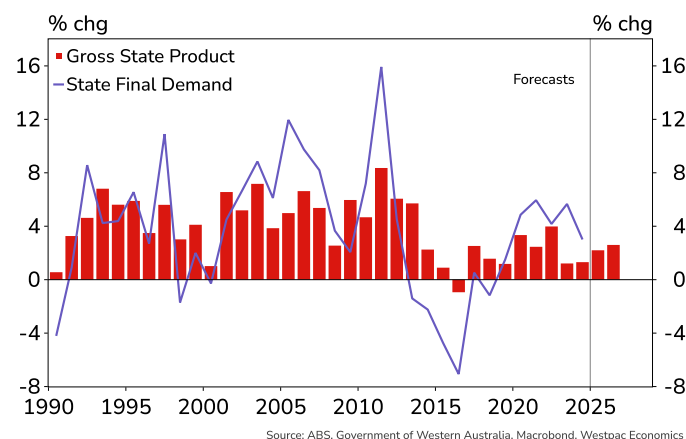
WA Gross State Production, contrib. to growth



WA: contributions to state final demand

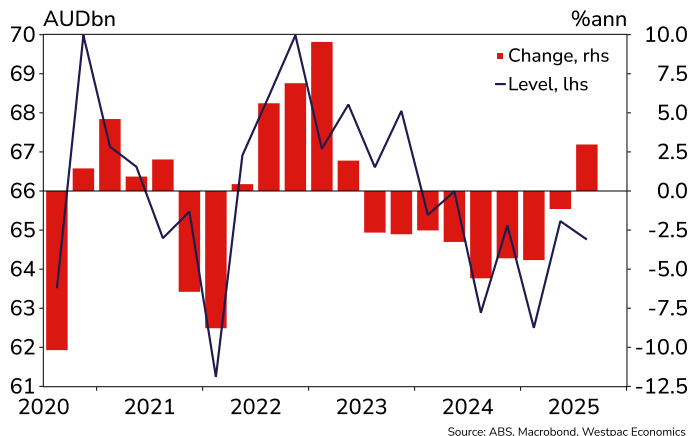


WA Gross State Product & Final Demand

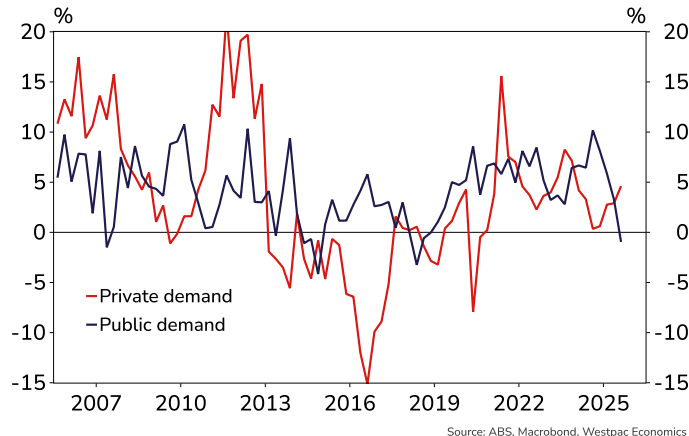


... with growth set to turn more balanced

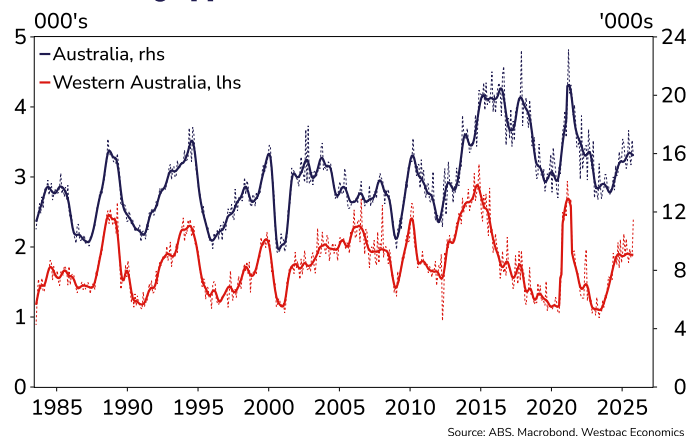
WA's international exports



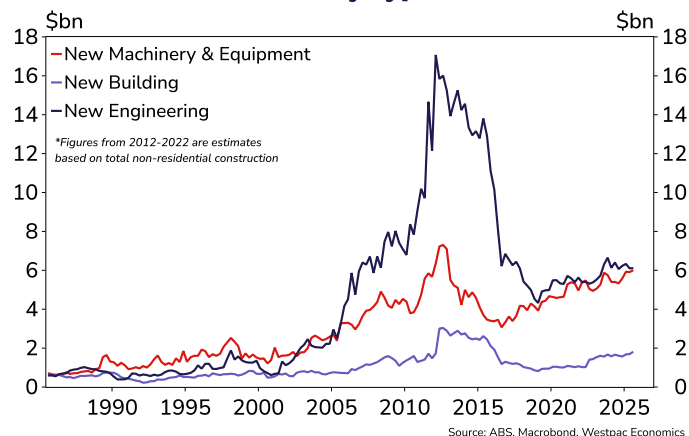
Public demand pulls back as projects wind up



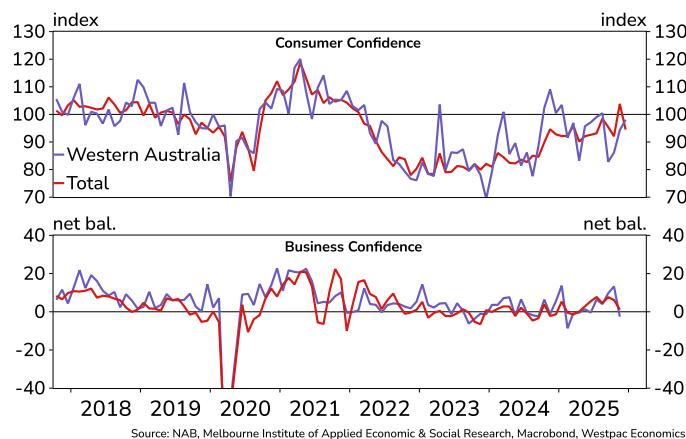
WA dwelling approvals



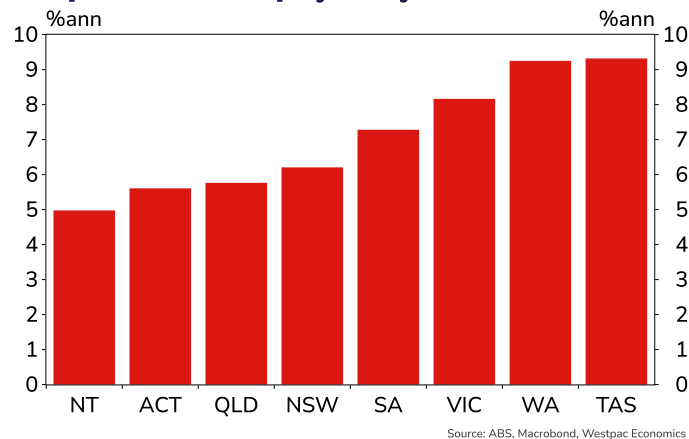
WA business investment by type



Consumer and Business Confidence: WA vs. Aust



Compensation of Employees by State, nominal



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Consumer taking longer to fire up ...

Ryan Wells
Economist

South Australia continues to hold the top spot for state final demand, but underneath the surface, the 'handover' of growth from public to private demand is yet to fully materialise. Whereas most other states have seen the private sector move into the driver's seat, responsible for most (or all) of growth over the past year, South Australia's private sector was responsible for only half of growth. A more subdued consumer and a lacklustre pulse for business investment are both to blame, though dwelling construction remains a hidden bright spot.

How has the state performed? South Australia expanded by 1.0% in Q3, a bit softer than other major states. This builds on much stronger momentum from earlier in the year, though, leaving growth up 3.6% over the year, the strongest pace across all other states and well above the national pace of domestic demand (2.6%yr).

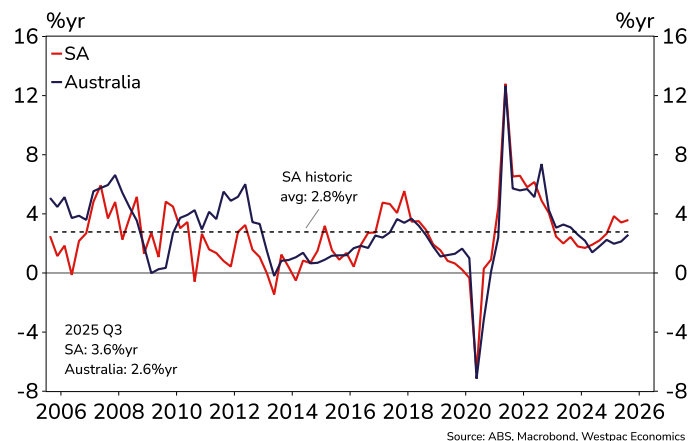
A key stat that tells the story. Advancing to 19.5%yr, new public investment in South Australia is in an entire league of its own, standing in stark contrast to the recent decline on a nationwide basis (-4.0%yr). Although some of this reflects the lumpy nature of renewable energy, roads and water infrastructure projects, the incredible consistency of double-digit growth in public investment not only highlights just how important a role the public sector has in supporting activity, but also the state's clear drive to expand productive capacity.

What has surprised? The main surprise has been the sheer scale of the housing construction upswing. Gains have slowed over recent quarters, but at 17.2%yr and 20.4%yr respectively, both new dwelling construction and renovation activity are nearly three times the national pace. While the state's dwelling pipeline has been healthy, it has not been exceptionally strong relative to other states – it is the pace at which projects have moved through the pipeline that has been South Australia's source of strength in this space.

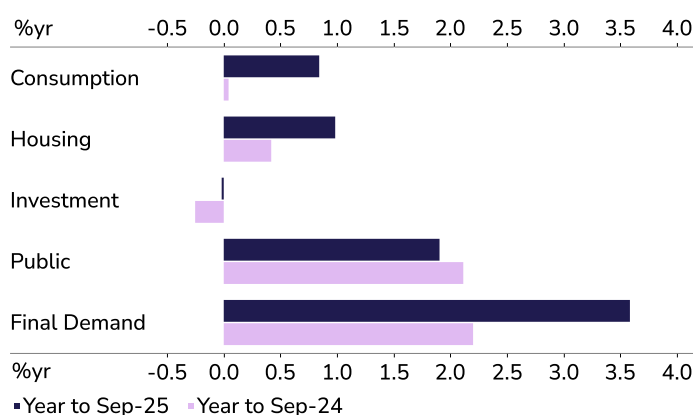
What can improve? The health of the consumer will be a key focus for the state's prospects. Having faced relatively higher inflation over recent years, the recovery in real disposable incomes is coming from a weaker starting point, resulting in a slower pace of consumption compared to all other states (1.6%yr vs. 2.5%yr nationally). But with the recovery ensuing and the 'worst' of the state's labour market downturn largely in the rear-view mirror, South Australian businesses may also start to invest with a greater degree of confidence.

What are we expecting? Our forecasts for South Australia's GSP are unchanged from last quarter, with growth of 2.2% and 2.0% anticipated in FY26 and FY27 respectively.

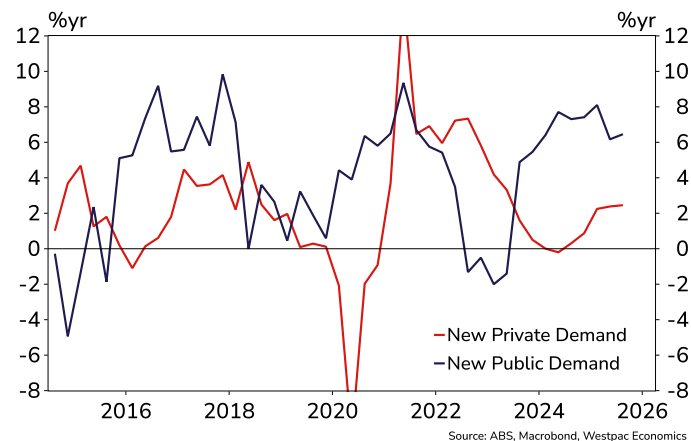
State final demand: SA vs Australia



SA: contributions to state final demand



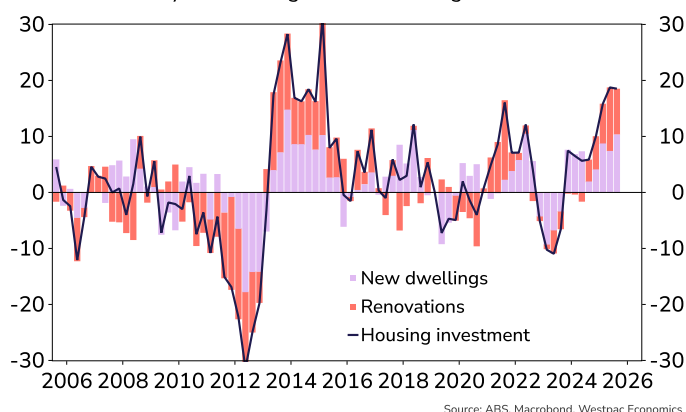
Public demand still in the drivers seat



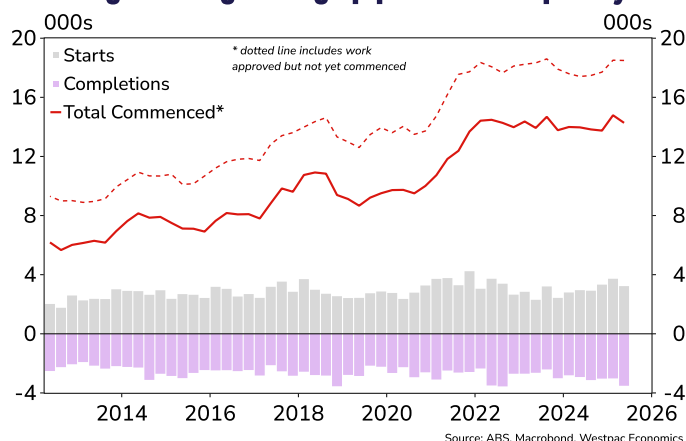
... public demand and housing still in drivers seat

Housing construction boom is impressive

Contributions to year-ended growth in housing construction

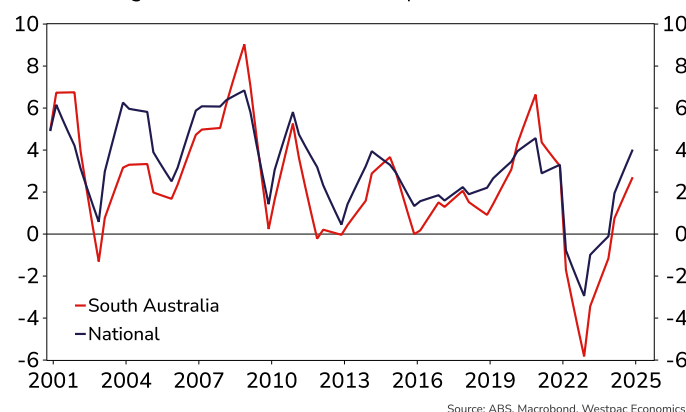


Dwellings moving through pipeline more quickly

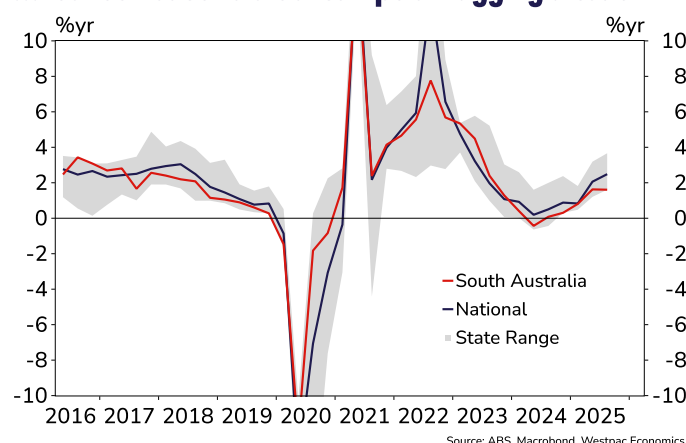


Real income recovery from weaker starting point ...

Year-ended growth in real household disposable incomes

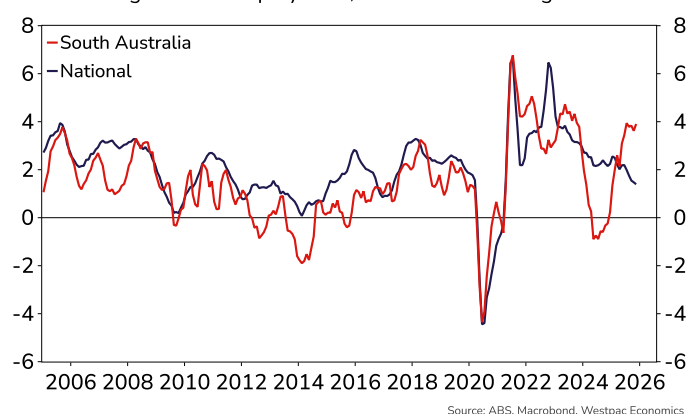


... leaves household consumption lagging a touch

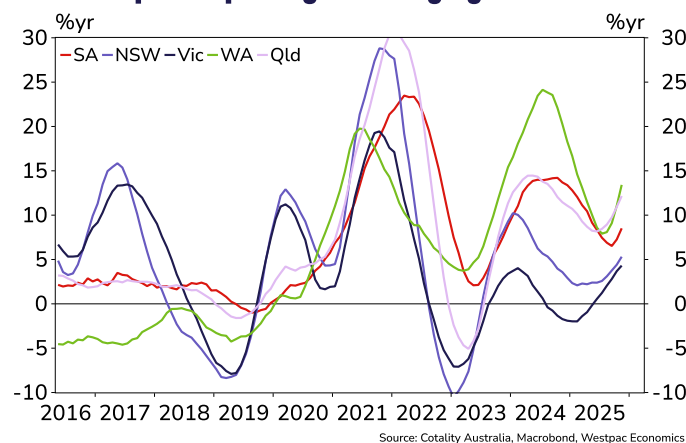


Labour market bouncing back after tough patch

Year-ended growth in employment, three-month average basis



SA house price upswing re-emerging



Ship purchases drives volatility ...

Sian Fenner

Head of Business & Industry Economics

Tassie's GSP grew a weaker than expected 1% in FY25 weighed down by soft business investment. Growth is forecast to improve modestly to 1.4% in FY26 as household spending and non-residential construction continue to recover, before lifting to 1.5% in FY27 as port upgrades and the stadium lifts momentum.

How has the state performed? Tasmania GSP rose by 1% in 2024-25. Although the weakest among the states, slower population growth meant per capita GSP increased 0.7%, above the national average of -0.3%. Strong growth in the key agriculture sector drove half of the gain, with the non-market sector contributing most of the rest. Public spending spiked, inflated by the purchase of two Spirit of Tasmania vessels, while the market sector stayed weak amid a broad-based contraction in private demand. SFD fell 2.9%qtr as the second ship purchase rolled off. Residential investment remained soft, although non-residential has begun to recover and household spending also lifted 0.7% in the quarter.

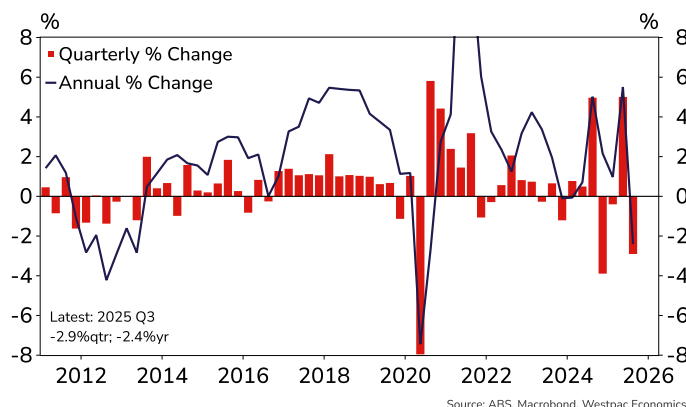
A key stat that tells the story: Household spending has picked up through 2025 and on a per capita basis, is growing faster than most other states and territories. Our **Westpac-DataX Consumer Panel** indicate much of this growth has been driven by those households with a mortgage. In October 2025, spending among this group rose 6.9%, or 2.8% after inflation. In contrast, households without a mortgage rose a modest 0.3% inflation adjusted. A risk is that with interest rates now on hold for longer, spending could moderate among mortgage holders and more broadly. Indeed, consumer sentiment fell back in December following a more hawkish RBA.

How can things improve? Business investment has contracted for three consecutive quarters on an annual basis, but non dwelling construction appears to have turned the corner with approvals up 10%/yr (3mma) in October. However, investment in M&E remains weak (-14.8%/yr in Q3). Encouragingly, business confidence has picked up from the early-2025 lows, as political uncertainty eased post the state election. The approval of the Hobart stadium along with several renewable projects could spur a more broad-based recovery.

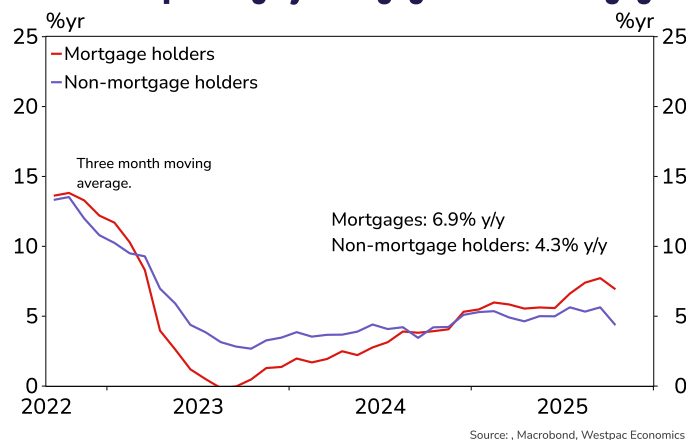
Where are we expecting? We have raised our FY26 growth forecast for the economy slightly to 1.4% from 1.3%, reflecting improved agriculture output due to more favourable Spring rain. Household spending is expected to gradually improve over the forecast period amid a return to positive employment growth although the risk of a RBA rate hike is a headwind. Investment is likely to be mixed. Dwelling approvals continue to underperform the national recovery, but non-residential investment should strengthen following the approval of the Hobart Stadium, Robins Wind project and Bell Bay Powerfuels e-fuels plant. Completion of the Devonport port upgrades will boost freight and tourism capacity. We expect economic growth to pick up to 1.5% in FY27.

TAS State Final Demand

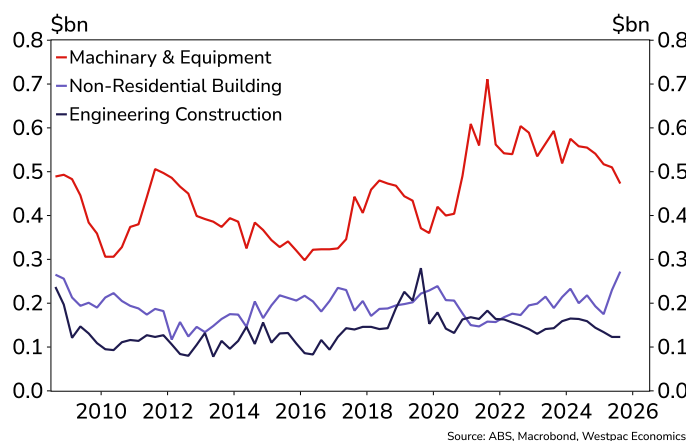
Chain Volume Measures



Tasmania: Spending by mortgage vs non-mortgage



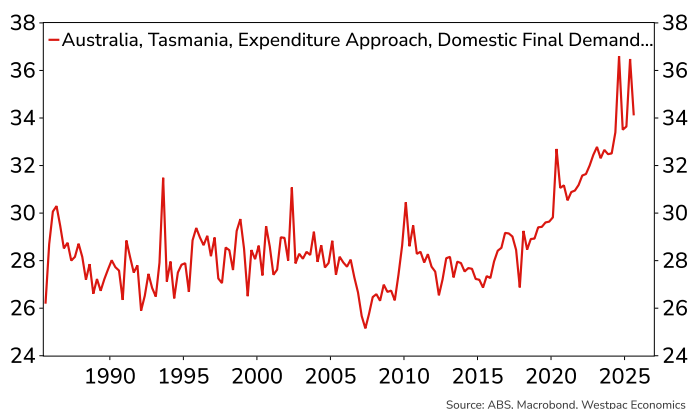
New business investment



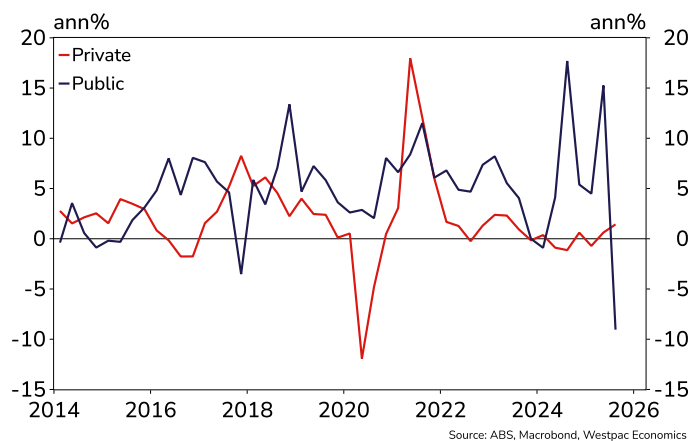
... with a modest lift in growth ahead

Tassie economy heavily dependent on public sector

Public Demand % Share of State Final Demand

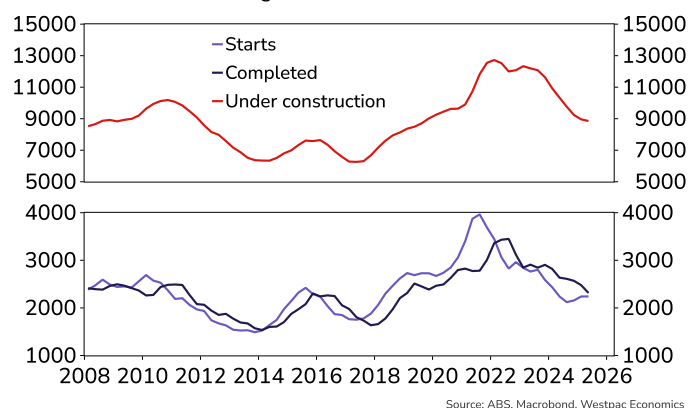


Tas Public vs Private Demand



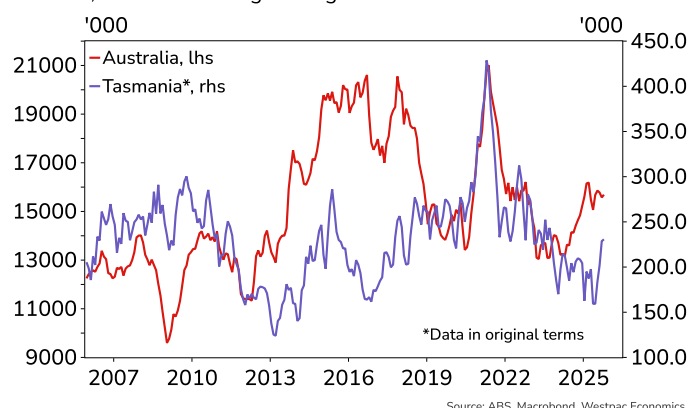
Tasmania Housing Construction

Number of Houses, Rolling Annual Sum



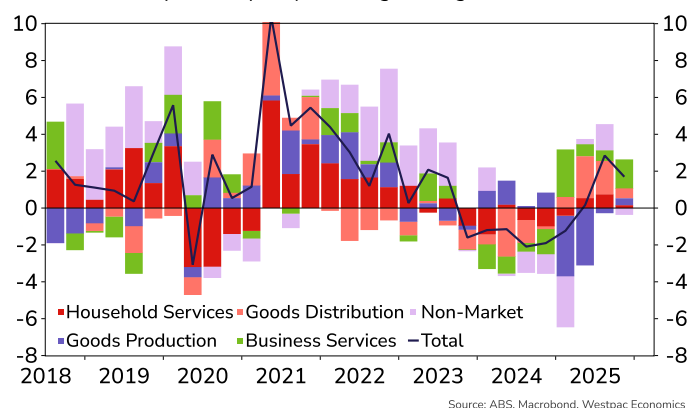
Private Sector Building Approvals

Number, 3-month Moving Average

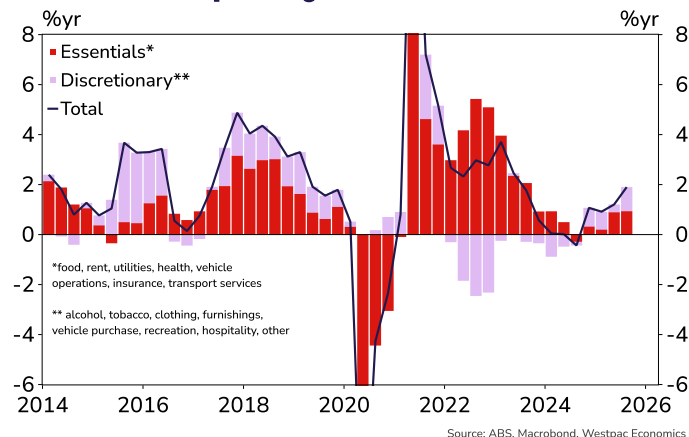


Recovery in employment growth gaining traction...

Contribution to year-on-year percentage change



Tas household spending contributions



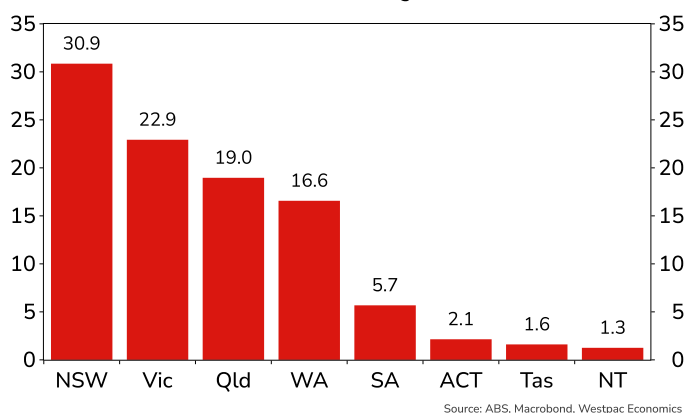
Forecasts: state activity and employment

		2024/25	2025/26		2026/27	
		Actual	Govt f/c	Westpac Est ^a	Govt f/c	Westpac f/c
Australia	GDP	1.4	2¼	2.2	2¼	2.5
	Employment	2.1	1¼	1.4	1½	1.5
NSW	GSP	0.9	1½	2.0	2½	2.4
	Employment	1.6	¾	1.0	1¼	1.5
Vic	GSP	1.1	2¼	2.2	2½	2.5
	Employment	2.3	1¼	1.3	1½	1.0
Qld	GSP	2.2	2¾	2.5	2½	2.6
	Employment	2.8	1½	1.5	1½	1.9
WA	GSP	1.3	2¼	2.2	3.0	2.6
	Employment	3.1	1¼	1.8	1½	2.2
SA	GSP	1.0	2¼	2.2	2.0	2.0
	Employment	1.2	2½	2.5	1.0	1.2
Tas	GSP	1.0	1.0	1.4	2¼	1.5
	Employment	-1.2	2.0	1.8	¾	1.3

* Government forecasts for Australia are a weighted average of the state government forecasts. State government forecasts are from the most recent state budget update. Westpac's state numbers are calculated to be consistent with the national forecasts. ^a Westpac GSP estimate based on state final demand, state international trade flows and national figures on inventories.

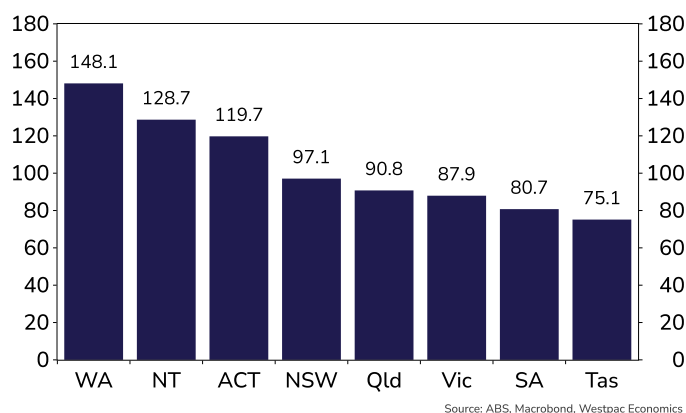
Shares of GSP

Real, Chain Volumes, 2024/25, Percentage

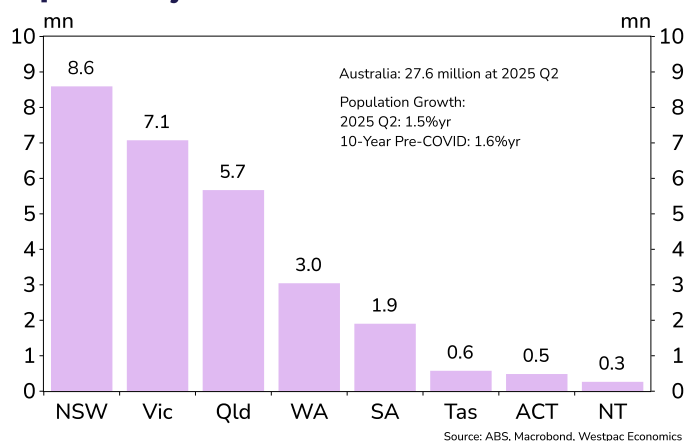


GSP per capita

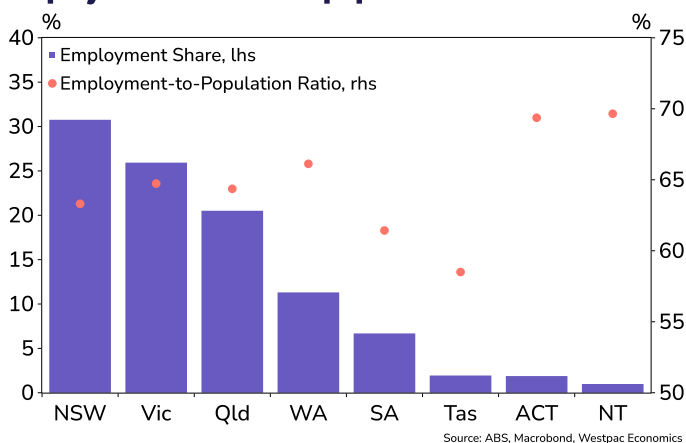
Real Chain Volumes, 2024/25, \$000s



Population by state



Employment shares and population ratios



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Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Neha Sharma

Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland

Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



 westpaciq.com.au

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