Australian economy “flat” amid global volatility

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Australia’s latest gross domestic product (GDP) figures show zero growth of production per person in the September quarter of 2025, a result that the Australian Bureau of Statistics described as “flat.”

The data showed a drop in the per capita growth rate, taking the outcome to just 0.4 percent over the previous year. This is under conditions of rising inflation, a continuing cost-of-living crisis for working-class households and low levels of corporate investment, except for AI-related data centres.

Overall, with the help of population growth, GDP rose by 0.4 percent during the quarter, which was much weaker than the 0.7 percent that corporate economists had predicted. That meant that annual growth inched up sluggishly from 2 percent to 2.1 percent, but it was still well below the 2.9 percent average growth rate in the two decades before the onset of the COVID pandemic.

After a long slump, business investment lifted 2.9 percent during the quarter, seven times the average growth rate in the past three years, yet that was largely due to $2.8 billion of investment in data centres in just three months, double the previous period.

Because of the lack of corporate investment, productivity—measured as GDP per hour worked—was still crawling along at 0.8 percent growth for the year, far short of Treasury’s 1.2 percent medium-term productivity growth assumption.

Household spending grew 0.5 percent in the quarter, driven by a 1 percent rise in essential spending on insurance, rent and food, but consumers cut back on non-essential purchases, reflecting financial pressures.

Overall, this was the second set of bad news in a week. October’s official monthly Consumer Price Index, released last week, showed inflation blowing out to 3.8 percent a year. That rules out any foreseeable relief for over-stretched home mortgage holders via interest rate cuts by the Reserve Bank of Australia (RBA).

Speaking on behalf of the Albanese Labor government, Treasurer Jim Chalmers responded to the GDP data by reiterating the government’s intent to try to attract greater private investment by speeding up project approvals under its new fast-track environment laws—which promise approvals within 90 days—and by further cutting social spending.

“We’ve wanted to make sure that the private economy takes its rightful place as the key driver of growth in the economy,” he said.

Interviewed on the Australian Broadcasting Corporation’s “7.30” program on Wednesday, Chalmers said the GDP data showed that “Australia is already an incredibly attractive destination for AI infrastructure.” But “Australia needs to get much better and quicker when it comes to approvals” because “we’re competing for this global investment.” Already, he said, “the EPBC [Environmental Protection and Biodiversity Conservation] environmental law reforms will be part of that story.”

Chalmers also vowed to meet the expectations of the financial markets by cutting public spending, boasting of having already “found $100 billion in savings” in the government’s first three years in office since 2022. “[T]hat’s what people can expect to see in the mid year budget update and also in the Budget in May,” he said.

Chalmers denied that this meant “austerity.” Instead, it was a continuation of Labor’s “responsible economic management.” In recent weeks, in reality, Prime Minister Anthony Albanese and key cabinet ministers have demanded deeper cuts to chronically-underfunded public hospitals, public service budgets and the National Disability Insurance Scheme (NDIS).

On the one hand, Chalmers tried to put a gloss on the GDP figures. “Growth and private sector activity are picking up, unemployment is low, participation is high, more people are in jobs and real wages are growing,” he said. On the other hand, to justify cuts, Chalmers described inflation as "persistent" and the global environment as "incredibly volatile and unpredictable."

Australia's state Labor governments are desperately vying for global investment in AI facilities. New South Wales Planning Minister Paul Scully approved a $3.1 billion data centre project in Sydney's northwest last week after Victorian Premier Jacinta Allan said she would be "ruthless" in attracting data centres to her state.

Over the past five years, Australia's data centre market has expanded sharply. It is now home to 314 facilities, according to industry estimates. A Knight Frank report showed Australia attracted $10 billion in data centre investment in 2024, making it the second-highest location after the US. A September 2025 forecast by CBRE estimated that the investment will reach $46 billion by 2029.

This, however, raises two major problems. The first is the likely acceleration of job losses through the corporate exploitation of AI. The second is the increased load on the electricity grid, as well as water supplies and other environmental risks. Data centres consumed 2 percent of the country's grid-supplied power in 2024, and the Australian Energy Market Operator forecasts that could rise to 12 percent by 2050.

This demand, combined with low corporate investment in renewable energy projects, is expected to further drive up household electricity bills, especially if the Albanese government abandons subsidies for energy bills in the mid-year budget update later this month. Electricity prices were already up by a staggering 37 percent in the year to October as various state governments ended their subsidies.

Household electricity prices are set to jump further by about 8 percent over the next 10 years according to the latest annual report by the Australian Energy Market Commission, ditching its prediction last year of a 13 percent drop over the decade. That deals another blow to the Albanese government's three-year-old promises of lower power bills as energy production transitions from coal to wind and solar generation.

RBA governor Michele Bullock voiced another concern when she appeared before a Senate estimates committee this week. "What happens in China is very important to us," she said. Bullock said the real estate market in China was "still very much in the doldrums," so there was still a risk to growth in China. "I think that's something that's top of our mind as well."

This points to an underlying crisis of Australian capitalism, for which China is by far its biggest export market, primarily for iron ore, coal and gas. Despite this dependence, the Labor government has intensified the ruling class's commitment to the AUKUS military pact and other preparations for a US-led war against China.

While boasting of cutting billions from public spending, the Labor government is accelerating war-related spending. This year's budget, issued in March, committed Labor to increase military outlays to nearly $59 billion this financial year, rising to $74 billion or around 2.23 percent of GDP in 2028–29. The AUKUS nuclear-powered submarine treaty with the US and Britain alone requires the expenditure of at least $368 billion by Australia over a decade. That means even deeper cuts to social programs.

In addition, one of the major reasons for revamping the environmental legislation to fast-track mining and other approvals is to prepare for war. The law, rushed through parliament last week with the help of the Greens, gives the environment minister expanded powers to override all environmental regulations in order to approve "national interest proposals"—those deemed essential for "defence, security or strategic interests" or "Australia's obligations under an agreement" with another country.

Crucial among these "obligations" is the "framework on critical minerals and rare earths" signed by Albanese with the fascistic US President Donald Trump at the White House in October to supply vital minerals needed for a war against China. The agreement specifically pledged to speed up mining and processing project approvals by "de-regulating," "streamlining" and slashing "red tape."

For all the capitalist media's promotion of the Albanese government for supposedly ending the parliamentary year on a high, capped by the passage of the seven environmental bills, the contradictions facing the ruling class are mounting, fuelled by the Trump's administration's aggressive drive to restore US dominance. And this means a more frontal assault by the Labor government and its partners in the trade union bureaucracies against working-class jobs and conditions.