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Australia's Leading Index Signals Subdued Growth Ahead

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– Categories: Economics



Australia's economic momentum appears to be softening, with the Westpac-Melbourne Institute Leading Economic Index recording no growth in June 2025. This follows a marginally upwardly revised gain of 0.1 percent in May, reinforcing the view that the economy is transitioning away from its earlier pace of recovery. More concerning, the index's six-month annualised growth rate fell to 0.03 percent from 0.11 percent in May, indicating a slowdown from the modestly above-trend trajectory seen at the start of the year.

The Westpac-Melbourne Institute Leading Economic Index is a key measure used to anticipate the direction of Australia's economy over the coming three to nine months. It incorporates several forward-looking indicators, including share prices, building approvals, and consumer sentiment. When the growth rate of the index slows or stalls, as it has now, it typically signals that economic expansion is losing steam. This is consistent with Westpac's latest forecast, which sees Australia's economy growing by just 1.7 percent in 2025, a slight improvement on the 1.3 percent recorded in 2024, but still well below pre-pandemic norms.

This subdued outlook raises fresh questions about the effectiveness of current economic management. With inflation slowly easing and interest rate cuts expected in the near future, some would argue the central bank is stepping up to support the economy. However, broader fiscal leadership has been found lacking. The current Labour government has offered little in terms of meaningful structural reform or investment to spur productivity or business confidence. Many private sector leaders continue to express concern over rising regulation, energy costs, and a policy environment they see as lacking vision.



The path forward is uncertain but not without opportunity. Australia continues to benefit from strong global demand for commodities and has the potential to leverage its energy and tech sectors for long-term growth. What is needed now is decisive policy action that fosters investment and innovation rather than short-term political fixes. With the Leading Index now pointing toward only trend-level growth, the time for economic complacency is over. Australia must move beyond patchwork responses and rediscover the enterprise and reform spirit that once made its economy one of the most resilient in the world.