Economic Data Note – September 2026

Intergenerational Report 2026

Dr Sherman Chan, Chief Economist

What is the Intergenerational Report?

- The Intergenerational Report—handed down by the Federal Treasurer—examines Australia's economic trajectory for the next 40 years. It identifies the expected areas of major transformation, provides long-term economic projections and analyses the impact on government budget.

Expected areas of major transformation over the next 40 years

- **The AI revolution** – Artificial intelligence is expected to be a "defining influence" on the economy. Capital expenditure in data centres has already nearly doubled since 2023 and the government believes Australia has potential to capture value in various parts of the global AI supply chains.
- **Geopolitical fragmentation** – Conflicts and trade restrictions are more common. As countries prioritise national security and strategic alignment, the government believes Australia will benefit from its reputation as a reliable partner.
- **Energy transition** – Renewable energy and electrification have helped to lower energy costs for households and businesses. Amid rising demand for energy, Australia's transition to lower-emissions energy systems remains an urgent priority and will continue over several decades.
- **Ageing and the care economy** – The median age in Australia is projected to increase from 38.6 in 2025-26 to 45.0 in 2062-63, reflecting an ageing population primarily due to lower fertility rates and longer life expectancy. The number of people aged 85 and over will triple by 2065-66.
- **Industrial transformation** – Service industries (such as health, aged care and education) will grow as a share of the economy amid higher demand and rising incomes.
- **Intergenerational equity** – Younger generations are finding home ownership increasingly difficult, which has prompted the government to implement tax reforms. The government is also targeting the superannuation system to enhance financial security in retirement.

Key economic projections

	Projected change over the next 40 years	Assumptions
Economy	Average annual growth of 2%	A slowdown from the average annual growth of 3% over the past 40 years amid slowing population growth
Population	Average annual growth of 0.9%	People will live longer and remain healthier, but lower fertility rates will slow population growth compared to the past 40 years when annual growth averaged 1.4%
Workforce Participation	Peak at 67.7% in 2039-40, then falling to 64.7% in 2065-66	The overall workforce participation rate will be lifted by higher participation of women and older people, but will eventually decline due to the ageing population
Productivity	Average annual growth of 1.2%	Benefit of AI adoption

What this means for property professionals

- In line with the broader economic transformation, demand for the various types of residential and commercial properties will shift accordingly.
- Lower fertility rates and smaller households may reduce the need for larger dwellings.
- Driven by the ageing population, the health and aged care sectors are set for rapid growth.
- The high expectations placed on AI implies data centre investment will continue in the medium term.
- Demand for electrification will rise as more businesses and households are aware of the cost savings.