

22 May 2026

APRIL CPI

PREVIEW AND ANALYSIS

Broader inflation impulse not far behind

Key points

- Headline CPI is expected to rise 0.9%*mth* in April, taking the annual pace to 4.8%*yr*.
- Key contributors to the monthly rise include holiday-travel and clothing & footwear. Transport is expected to detract owing to the halving in the fuel excise and free public transport in some states.
- The monthly trimmed mean estimate is 0.4%*mth*, with the annual pace lifting to 3.5%*yr*. It is expected to peak at 4.0%*yr* in October.
- In March, the impact of the Middle East conflict on prices was limited beyond fuel. However, there are signs of emerging pass-through – including business surveys, construction material price notifications and anecdotal evidence of fuel surcharges by food outlets – meaning the April CPI will be closely watched for evidence that cost pressures are broadening.

Breakdown: Jun Quarter CPI & Apr Monthly CPI

Item	Jun	Feb	Mar	Apr
	Qtr fcs	Mth	Mth	Mth fcs
	% qtr	% mth	% mth	% mth
Food	1.6	-0.1	0.7	0.7
of which, bread & cereals	-0.3	-1.2	0.3	0.1
of which, meat & seafood	0.8	0.5	0.5	-0.2
of which, dairy & related prod.	1.7	-0.6	0.8	1.0
of which, fruit & vegetables	7.3	0.0	2.6	3.5
of which, food products nec	0.8	-1.1	0.1	0.9
of which, non-alcohol bev.	1.4	0.7	1.1	-0.8
Alcohol & tobacco	1.0	0.2	0.8	0.0
of which, alcohol	0.6	0.1	0.7	-0.4
of which, tobacco	1.9	0.4	1.1	1.0
Clothing & footwear	2.5	2.6	-1.9	4.6
of which, garments	3.1	2.9	-2.5	5.7
Housing	0.7	0.3	0.2	0.2
of which, rents	0.9	0.4	0.2	0.2
of which, house purchases	1.1	0.1	0.5	0.4
of which, electricity	0.3	1.0	0.0	0.0
of which, gas & other fuels	-0.5	-0.1	0.0	-0.6
H/hold contents & services	0.6	3.9	0.3	0.8
Health	1.7	0.1	-0.2	1.9
Transportation	3.9	-0.7	9.2	-1.1
of which, auto fuel	12.1	-3.4	32.8	-4.2
Communication	0.6	0.2	0.5	0.4
Recreation	1.7	-3.0	-0.7	4.0
of which, holiday travel	2.9	-6.3	-1.4	7.6
Education	0.5	4.5	0.0	0.0
Financial & insurance services	1.1	0.1	0.8	0.2
CPI: All groups	1.5	0.0	1.1	0.9

Sources: ABS, Westpac Banking Corporation

Pass-through signals build – will it show up in the CPI?



Neha Sharma
Economist

Initial price shock limited to fuel ...

The March monthly CPI provided only an early read on any inflationary impulse from escalations in the Middle East. Headline CPI rose 1.1%*mth* to 4.6%*yr*, while the monthly trimmed mean (TM) increased 0.3%*mth*, leaving the annual pace steady since December at 3.3%*yr*. With the oil shock emerging in late February and fuel prices rising sharply in early March, the timing suggests the March outcome was too early to capture any broad-based pass-through beyond the immediate channels.

Fuel was unsurprisingly the key transmission channel, with auto fuel prices rising 32.8%*mth* and contributing 1ppt to the monthly headline print. Outside of fuel, pass-through was more limited and uneven, with only scattered increases in categories more exposed to upstream cost pressures, including dwelling construction (0.5%*mth*), vehicle repairs (0.4%*mth*) and communication (0.5%*mth*) (see [here](#)).

Several categories that would typically be exposed to spillovers showed no pre-emptive price adjustments. Holiday travel prices declined (-1.4%*mth*). This may also reflect timing effects, with most tickets purchased in advance but only recorded in the CPI in the month the trip is undertaken. Other tradables components were also softer, including household appliances and clothing & footwear.

The Governor’s commentary following the May meeting characterised the cumulative interest rate rises as addressing the pressures existing before the conflict. Measures that better reflect these pressures, such as the TM and domestic market services, have seen some easing in momentum since last year. The six-month annualised pace of the TM slowed from 3.7% in December to 3.3% in March, while domestic market services eased from 5.2% to 3.7%. Both measures remain elevated but the moderation suggests that underlying pressures were beginning to ease prior to the energy shock.

... second-round pass-through not far off

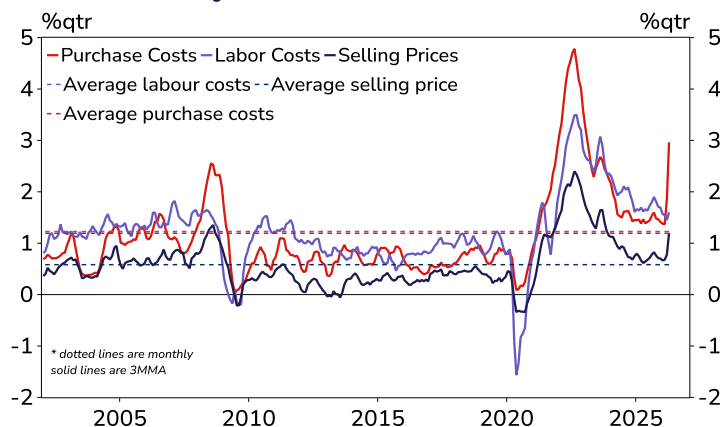
The Monetary Policy Board has signalled it now has scope to assess how the conflict evolves, but we suspect that second-round pass-through may already be underway and will likely proceed more quickly than assumed in the RBA’s latest forecasts. The April NAB Business Survey showed a further intensification in cost pressures, with purchase cost growth matching last month’s record and lifting the quarterly pace to 4.5%*qtr*. Selling prices also saw its sharpest increase since July 2022, suggesting a broader pass-through is beginning to emerge (see [here](#)).

Breakdown Monthly CPI Indicator

	Jan	Feb	Mar	Apr
	Mth	Mth	Mth	Mth fcs
Item	%yr	%yr	%yr	%yr
Food	3.1	3.1	3.1	3.4
of which, bread & cereals	1.0	1.0	0.6	1.0
of which, meat & seafood	4.5	4.5	4.8	5.2
of which, dairy prod.	2.7	2.7	2.5	3.5
of which, fruit & vegetables	1.9	1.9	1.8	3.0
of which, food products	3.1	3.1	2.9	2.9
of which, non-alcohol bev.	2.0	2.0	2.2	2.0
Alcohol & tobacco	4.3	4.3	4.4	4.8
of which, alcohol	1.4	1.4	1.7	2.2
of which, tobacco	11.5	11.5	11.2	11.1
Clothing & footwear	5.0	5.0	7.1	6.7
of which, garments	3.2	3.2	4.3	4.1
Housing	7.2	7.2	6.5	6.3
of which, rents	3.8	3.8	3.7	3.5
of which, house purchases	3.7	3.7	4.5	4.3
of which, electricity	37.0	37.0	25.4	23.6
of which, gas & other fuels	5.5	5.5	5.7	5.7
H/hold contents & services	1.3	1.3	1.4	1.7
Health	3.2	3.2	3.0	3.3
Transportation	-0.2	-0.2	8.9	8.4
of which, auto fuel	-7.2	-7.2	24.2	22.2
Communication	0.8	0.8	1.4	1.6
Recreation	4.1	4.1	2.8	3.9
of which, holiday travel	5.3	5.3	2.2	3.7
Education	4.8	4.8	4.8	4.8
Financial & insurance	2.4	2.4	2.8	3.1
CPI: All groups	3.7	3.7	4.6	4.8

Sources: ABS, Westpac Banking Corporation

Business survey: Costs and Prices



Source: NAB, ABS, Macrobond, Westpac Economics

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Additionally, diesel prices continued to rise across both retail (+17.5%*mt*) and wholesale (+7.7%*mt*) markets in April, with only modest falls seen in May so far. Given diesel's role across freight, construction and production, the recent increases are more likely to transmit through supply chains, increasing the risk of more persistent second-round inflationary effects. The reduction in the heavy vehicle road user charge should help to ease some pressure, however.

There is a risk that the extent of cost pass-through proves more limited if deeply pessimistic [consumer sentiment](#) causes a pullback in spending. Our [internal card data](#) is already pointing to some softening, particularly across discretionary goods and services.

April is seasonally stronger

Turning to April, we expect a 0.9%*mt* increase in the headline CPI, equivalent to a 0.3%*mt* rise in seasonally adjusted terms. This represents a step-up from the 0.7%*mt* increase last April, lifting the annual pace to 4.8%*yr*.

The largest contributors to the monthly print are recreation & culture (+0.5*pts*) and clothing & footwear (+0.2*pts*), with health and food each contributing just over +0.1*pt*, while transport is expected to detract -0.1*pt*.

We estimate a 0.4%*mt* rise in the monthly TM, lifting the annual pace to 3.5%*yr*. Looking ahead, the TM is expected to rise 0.3%*mt* in both May and June and 0.4%*mt* in July, with annual TM inflation peaking at 4.0%*yr* in October.

Key details

Food prices will likely see another 0.7%*mt* increase in April, owing to a 3.5%*mt* lift in fruit & vegetables. We also expect a 0.3%*mt* increase in meals out & takeaway. There has been anecdotal evidence of some food outlets introducing a fuel surcharge with the Australian Restaurant and Cafe Association also endorsing venues to introduce a temporary 5% surcharge.

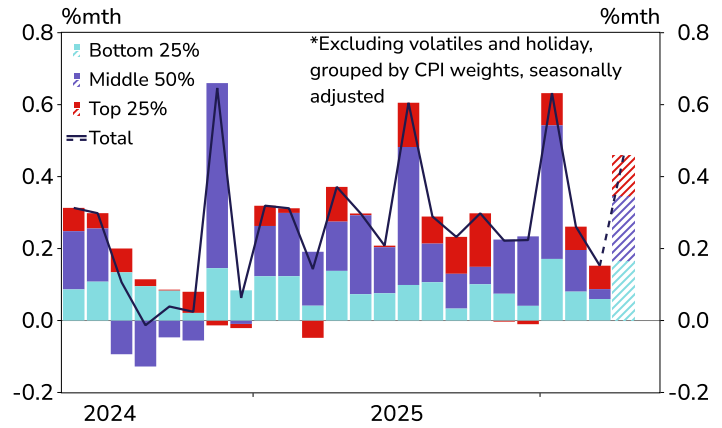
Recreation & culture is expected to rise 4.0%*mt*, reflecting a lift in holiday travel & accommodation (7.3%*mt*), though pricing may continue to reflect pre-conflict conditions and poses a downside risk.

Clothing & footwear is expected to rise 4.6%*mt*, with garments up 5.7%*mt* and footwear up 4.0%*mt*.

Housing inflation is expected to rise 0.2%*mt*.

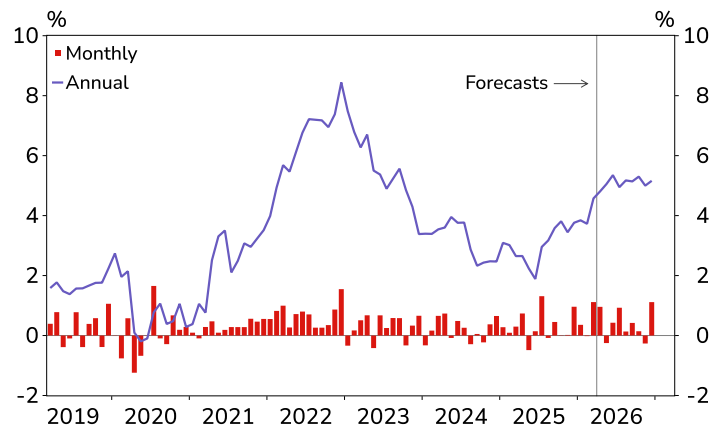
- We pencil in a 0.2%*mt* increase in rents in April. While this remains modest, advertised rent growth has been trending higher since late last year and should begin to feed through to CPI rents in the coming months.
- New dwelling costs are expected to rise 0.4%*mt*/4.3%*yr*, broadly in line with the average pace over the past year, with annual growth projected to peak at 4.9%*yr* in June 2026 as upstream materials costs continue to pass through. Tradelink data shows an average price change notification of 16% in

Contribution to growth by fuel exposure



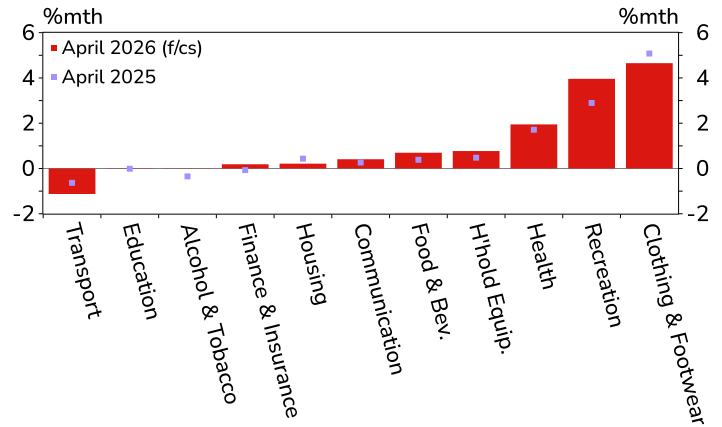
Source: ABS, Macrobond, Westpac Economics

Headline inflation with forecasts



Source: ABS, Macrobond, Westpac Economics

April monthly CPI by category



Source: ABS, Macrobond, Westpac Economics

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April, the largest in the series' six-year history, with notified average increases rising to 17% in May before easing to around 7% in the three months following.

- Electricity prices are expected to be flat in April. Government subsidy programs have ended, and no new energy bill relief was announced in either the Federal Budget or recent state budgets.

Health is expected to rise 1.9%*mt*. This is driven by a 2.7%*mt* (0.8%*mt* seasonally adjusted) increase in medical and hospital services, reflecting the 4.41% increase in private health insurance premiums taking effect from April – the largest approved rise since 2017.

Transport is expected to fall –1.1%*mt*, following a 9.2%*mt* increase in March.

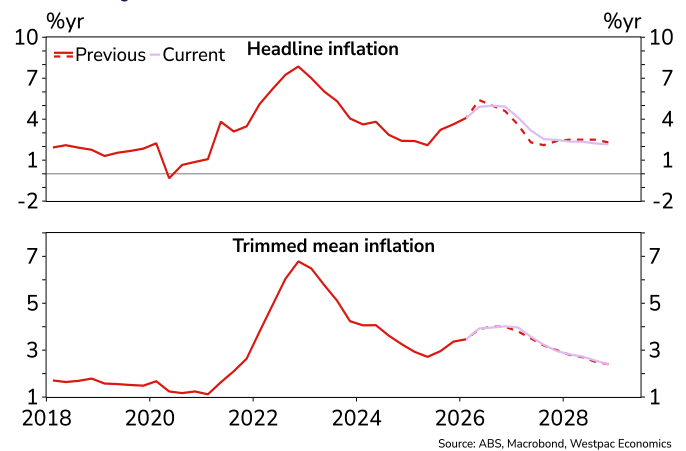
- Auto fuel prices likely fell –4.2%*mt*, reflecting the temporary halving of the fuel excise from 1 April, which saw average petrol pump prices decline by around –8.4%*mt* (~20c/l). With no extensions announced, this will reverse from July.
- Urban transport fares are expected to decline –1.5%*mt* following the introduction of free public transport in some states. Victoria initially announced one month of free public transport in April, later extended to end-May, with half-price fares to follow through to end-January 2027, while Tasmania has introduced free bus and ferry services through to July 2027.
- These declines are partly offset by increases in vehicle repair & maintenance (0.5%*mt*) and motor vehicles (0.3%*mt*).

Tweaks to the quarterly profile

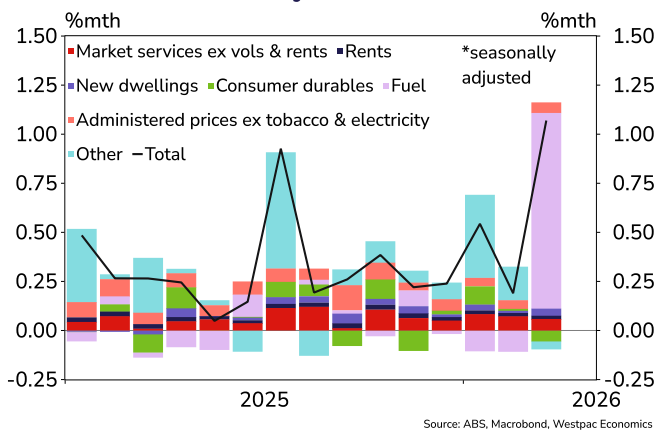
We revised our assumptions surrounding the Middle East conflict in our [May Market Outlook](#). Brent oil is now expected to average \$US125/bbl in Q2. This has resulted in the changes to our quarterly inflation profile reported in Market Outlook. Headline inflation is now expected to peak lower at 5.0%*yr* in Q3 2026, but prove more persistent, ending the year at 4.9%*yr* (+0.3ppts) and reaching 2.5%*yr* (+0.1ppt) by end-2027.

Changes to the quarterly TM profile have been more modest, with a 1.1%*qtr*/3.9%*yr* rise expected in Q2 before easing gradually to 3.6%*yr* (+0.1ppt) by mid-next year.

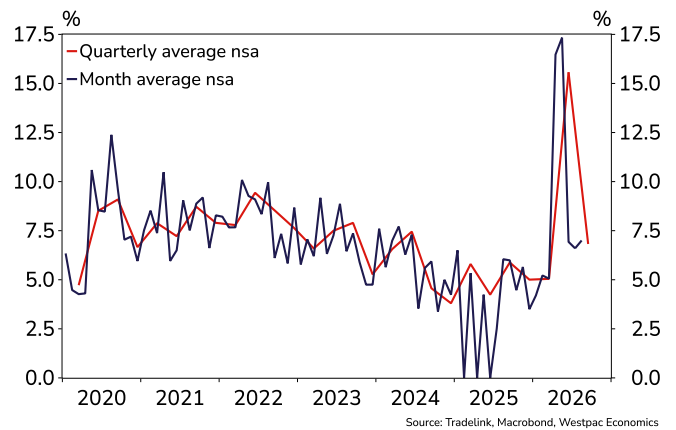
Quarterly forecast revisions



Contribution to monthly CPI inflation



Tradelink - average price change notifications



Monthly inflation profile

		Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26
CPI	Index	103.4	103.2	103.6	104.6	104.7	105.1	105.3	105.0	106.2
	(% <i>mt</i>)	0.9	-0.3	0.4	0.9	0.1	0.4	0.1	-0.3	1.1
	(% <i>yr</i>)	4.8	5.0	5.3	4.9	5.2	5.1	5.3	5.0	5.2
Trimmed mean	(% <i>mt</i>)	0.4	0.3	0.3	0.4	0.4	0.2	0.4	0.1	0.3
	(% <i>yr</i>)	3.5	3.7	3.8	3.8	3.9	3.8	4.0	3.8	3.8
	(6 <i>mt</i> ann'd)	3.5	3.7	3.9	4.1	4.5	4.4	4.4	3.9	3.8

Source: ABS, Westpac Economics.

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