24 July 2026

JUNE CPI PREVIEW

Quarterly trimmed mean in focus

Key points

- We expect June CPI to rise 0.4%mth, lifting the annual pace to 4.2%yr from 4.0%yr in May. On a seasonally adjusted basis, we expect a 0.2%mth increase.
- Monthly trimmed mean inflation is forecast to be 0.4%mth, taking the annual pace to 3.7%yr. However, market attention will be firmly on the quarterly trimmed mean, which we expect to rise 0.9%qtr and lift the annual pace to 3.7%yr.
- Recreation & culture and housing are expected to be the key drivers of the monthly outcome, reflecting higher holiday travel, rents and new dwelling purchase costs. These gains are expected to be partly offset by a sharp decline in automotive fuel prices.
- Risks remain two-sided, with holiday travel and stronger-than-expected EOFY discounting posing downside risks, while housing and domestic market services could again surprise to the upside.

Breakdown: Q2 Quarterly & June Monthly CPI

	Q2	Apr	May	Jun
	Qtr fcs	Mth	Mth	Mth fcs
Item	% qtr	% mth	% mth	% mth
Food	**0.9**	**0.1**	**0.6**	**0.2**
of which, bread & cereals	–0.3	–0.3	0.2	0.0
of which, meat & seafood	0.8	–0.3	1.1	–0.4
of which, dairy & related prod.	1.7	–0.2	2.3	0.1
of which, fruit & vegetables	3.8	0.7	1.1	2.0
of which, food products nec	–0.6	0.2	–0.9	0.2
of which, non–alcohol bev.	1.0	–0.7	1.5	0.5
Alcohol & tobacco	**0.6**	**–0.5**	**0.9**	**–0.1**
of which, alcohol	0.2	–1.0	1.3	–0.3
of which, tobacco	1.7	0.7	–0.1	0.4
Clothing & footwear	**1.2**	**3.9**	**–2.9**	**–0.7**
of which, garments	1.3	4.8	–3.3	–1.6
Housing	**0.9**	**0.2**	**0.5**	**0.5**
of which, rents	0.8	0.2	0.4	0.4
of which, house purchases	1.9	0.7	0.9	0.7
of which, electricity	0.1	–0.9	0.9	0.0
of which, gas & other fuels	–1.6	–0.6	–3.1	3.3
H/hold contents & services	**0.3**	**–0.3**	**0.3**	**–1.0**
Health	**2.2**	**2.6**	**–0.5**	**0.0**
Transportation	**–0.7**	**–2.7**	**–3.9**	**–2.6**
of which, auto fuel	–1.9	–7.0	–11.9	–10.2
Communication	**0.6**	**0.4**	**0.2**	**–0.9**
Recreation	**0.3**	**2.6**	**–3.1**	**4.4**
of which, holiday travel	0.4	5.5	-6.9	8.1
Education	**0.3**	**0.0**	**0.0**	**0.0**
Financial & insurance services	**0.9**	**0.1**	**0.2**	**0.5**
CPI: All groups	**0.7**	**0.4**	**–0.7**	**0.4**
CPI: Trimmed mean	**0.9**	**0.3**	**0.4**	**0.4**

Sources: ABS, Westpac Banking Corporation

A story of persistence

Neha Sharma
Economist

Underlying price pressures will be firm in June ...

The May monthly CPI provided a mixed read on price pressures in the economy. Headline CPI came in below our expectations, falling 0.7%mth, largely on account of weaker-than-expected holiday travel and clothing & footwear prices. Meanwhile, the monthly trimmed mean (TM) was in line with our expectations rising 0.4%mth – the second strongest read in the monthly series' short history. Even within this, there were several surprises, including firmer reads for new dwelling purchase costs, rents and several market services categories such as restaurant meals and repair costs.

The June data will overlap a period of easing tensions in the Middle East. A ceasefire was in place, with a memorandum of understanding signed between the US and Iran helping to calm concerns around further oil price spikes and other supply chain pressures. Consistent with this, survey measures pointed to a moderation in cost pressures, with purchase and output price growth slowing to 2.0%qtr and 0.6%qtr, respectively (see here). Average announced price increases for construction materials also continued to ease, declining from 17% in May to 11% in June, 9% in July and 7% in August. Meanwhile, consumer's year-ahead inflation expectations also nudged lower and have reached around pre-conflict levels, though they remain elevated at 4.7%. Although these are promising signs of moderation, the recent re-escalation in hostilities will keep upside risks to inflation front of mind for the RBA.

... but all focus will be on the quarterly outcome

We expect the June monthly CPI to rise 0.4%mth, taking the annual pace to 4.2%yr from 4.0%yr in May. On a seasonally adjusted basis, we expect a 0.2%mth lift. We estimate monthly TM inflation to rise 0.4%mth, taking the annual pace to 3.7%yr from 3.6%yr in May.

The largest contributors to the monthly print are recreation & culture (+0.6ppts) and housing (+0.1ppt). Partly offsetting these are transport (–0.3ppts) and household furnishings (–0.1ppt).

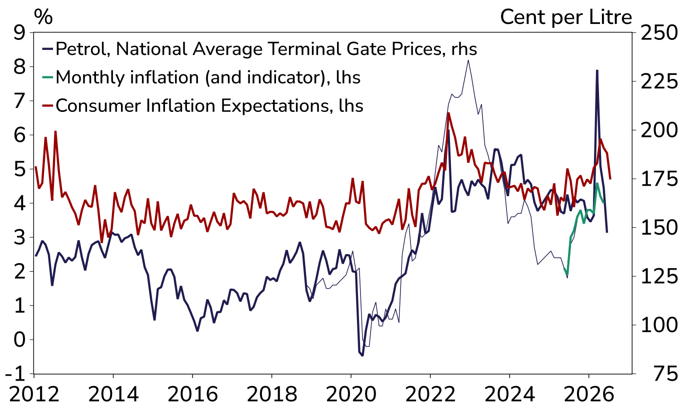
The policy-relevant quarterly TM, which is calculated on a pre-October 2025 basis, will be the focus of next week's release. We expect TM inflation to be 0.9%qtr (0.91%qtr to 2dp) in Q2, lifting the annual pace to 3.7%yr (see page 4 for more information). For the quarterly headline CPI print, we expect a 0.7%qtr lift in Q2, easing the annual pace to 4.0%yr.

Breakdown Monthly CPI Indicator

Item	Mar Mth %yr	Apr Mth %yr	May Mth %yr	Jun Mth fcs %yr
Food	**3.1**	**2.8**	**3.3**	**3.1**
of which, bread & cereals	0.6	0.7	1.5	1.7
of which, meat & seafood	4.8	5.0	5.4	5.2
of which, dairy prod.	2.5	2.3	5.2	5.1
of which, fruit & vegetables	1.8	0.1	2.0	1.7
of which, food products	2.9	2.2	1.6	1.8
of which, non–alcohol bev.	2.2	2.0	1.5	1.6
Alcohol & tobacco	**4.4**	**4.3**	**4.7**	**4.8**
of which, alcohol	1.7	1.6	2.2	2.0
of which, tobacco	11.2	10.7	10.9	11.6
Clothing & footwear	**7.1**	**5.9**	**5.0**	**5.2**
of which, garments	4.3	3.1	2.1	3.1
Housing	**6.5**	**6.3**	**6.5**	**6.9**
of which, rents	3.7	3.5	3.6	3.7
of which, house purchases	4.5	4.7	5.6	6.1
of which, electricity	25.4	22.5	21.1	21.6
of which, gas & other fuels	5.7	5.7	4.9	7.8
H/hold contents & services	**1.4**	**1.2**	**1.7**	**1.8**
Health	**3.0**	**4.0**	**3.8**	**3.8**
Transportation	**8.9**	**6.6**	**3.3**	**0.2**
of which, auto fuel	24.2	18.6	7.7	–6.6
Communication	**1.4**	**1.5**	**2.1**	**2.0**
Recreation	**2.8**	**2.5**	**2.4**	**6.0**
of which, holiday travel	2.2	1.7	1.9	7.5
Education	**4.8**	**4.8**	**4.8**	**4.8**
Financial & insurance	**2.8**	**3.0**	**3.2**	**3.2**
CPI: All groups	**4.6**	**4.2**	**4.0**	**4.2**
CPI: Trimmed mean	**3.7**	**3.4**	**3.6**	**3.7**

Sources: ABS, Westpac Banking Corporation

Consumer inflation expectations



Source: Melbourne Institute of Applied Economic & Social Research, AIP, ABS, Macrobond, Westpac Economics

Key details

Food & non-alcoholic beverages are expected to rise 0.2%mth in June, driven by a 2.0%mth increase in fruit & vegetable prices. Meals out & takeaway is expected to lift a more modest 0.1%mth, following the strong 0.5%mth rise in May, which the ABS attributed to higher ingredient and labour costs. Looking ahead, we continue to expect food inflation to pick up as the effects of El Niño, together with higher fertiliser, diesel and wage costs, increasingly flow through to both grocery and dining-out prices. We expect food inflation to lift from 3.9%yr in June to 4.7%yr by year-end.

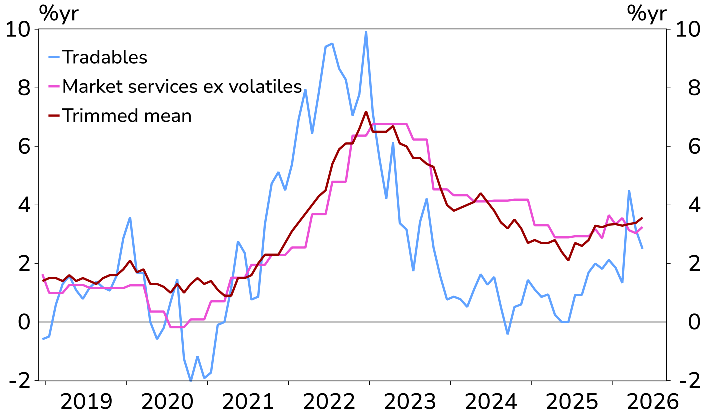
Transport is expected to fall 2.6%mth in June, driven by a 10.2%mth decline in automotive fuel. Retail petrol and diesel prices continued to ease over the month, averaging $1.60/l and $1.85/l, respectively. Petrol prices fell below pre-conflict levels, while diesel prices remained modestly higher. June also marked the final month of the 32c/l fuel excise reduction, before a one-month reduced discount of 16c/l came into effect in July. Urban transport fares are expected to contribute modestly, reflecting Vic's move to half-price public transport in June following a period of free public transport over April–May.

Housing is expected to rise 0.5%mth.

- Rents are expected to rise 0.4%mth in June, matching the increase recorded in May and lifting annual rent inflation to 3.7%yr. We continue to expect upward pressure on rents in the months ahead, with advertised rent growth still running well ahead of CPI rents and vacancy rates remaining historically tight. Our forecasts have rent inflation peaking at 4.0%yr in October. However, affordability constraints and a softening labour market may limit the extent of the acceleration.
- New dwelling purchases are expected to rise 0.7%mth in June, following gains of 0.9%mth and 0.7%mth over the previous two months. This would lift annual inflation to 6.1%yr, the highest rate in almost three years. As noted last month, competition for labour and materials from non-residential construction is likely to add to cost pressures over the year ahead. However, a more pronounced downturn in established housing markets could limit the extent to which developers are able to maintain margins by passing through higher costs to new builds.

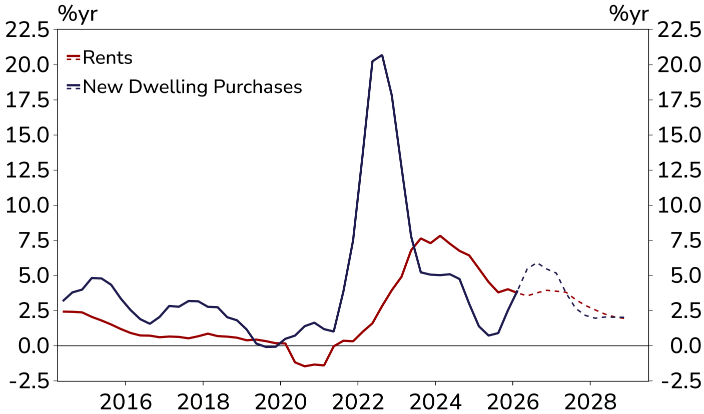
Recreation & culture is expected to rise 4.4%mth in June, driven primarily by an 8.1%mth increase in holiday travel. Holiday travel has been the key source of forecast misses recently, with higher airline operating and jet fuel costs not flowing through to travel prices as strongly as anticipated. Apple also announced price increases for some hardware and subscription services, reflecting higher memory and storage chip costs associated with the AI-driven surge in demand. However, given the late in the month timing of these changes, we expect most of the impact to be reflected in the July CPI.

Inflation: analytical measures



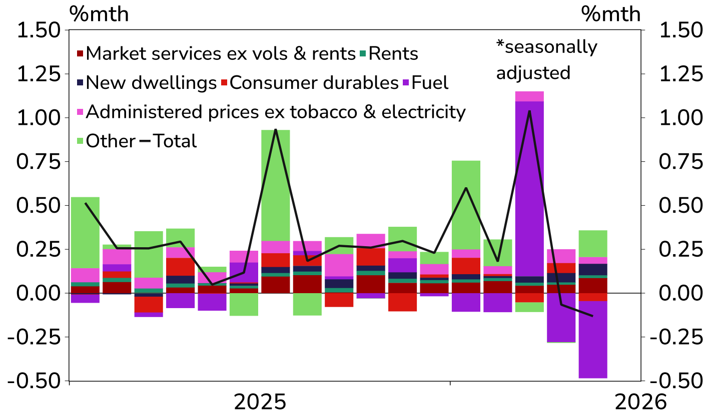
Source: ABS, Macrobond, Westpac Economics

Housing inflation with forecasts



Source: ABS, Macrobond, Westpac Economics

Contribution to monthly CPI inflation



Source: ABS, Macrobond, Westpac Economics

Risks to June baseline

Holiday travel remains the key risk, having been the largest source of forecast misses in recent months. Airline fares have proven less responsive to higher jet fuel costs than historical relationships would suggest, raising the possibility that holiday travel prices could again be weaker-than-expected. International experience has also been mixed, with some countries, including the US and South Korea, recording sharp increases in airfares, while outcomes in others, like New Zealand, have been benign. Deeper-than-expected discounting in clothing, footwear and household furnishings during end-of-financial-year sales also presents a downside risk.

On the upside, housing inflation could again surprise. Capacity constraints in residential construction and strong growth in advertised rents may flow through to CPI housing more quickly than anticipated, as has been the case recently. Domestic market services inflation is another source of upside risk, with the strong pass-through of higher operating costs seen in May potentially recurring in June.

Quarterly profile

We released updated forecasts in our latest *Market Outlook* on 10 July (see here). The revised inflation outlook is softer than what we expected back in June, but still above the RBA's May SMP profile.

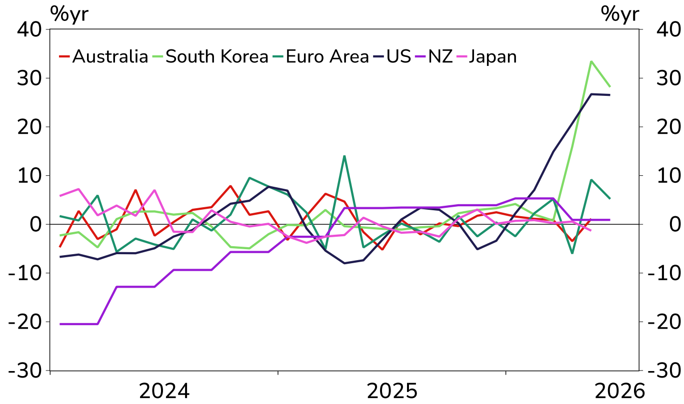
Q2 TM inflation was revised down slightly to 0.9%qtr. The downward revision primarily reflects softer outcomes for at-home food, motor vehicles and garments, partly offset by upward revisions to rents and new dwelling purchase costs.

We also lowered our Q3 and Q4 TM forecasts by 0.1ppt, to 1.0%qtr and 0.8%qtr respectively. As a result, TM inflation is now expected to peak in Q2 before easing to 3.6%yr by end-2026. Food, housing and market services remain the key areas of inflation pressure for the remainder of the year.

The recent re-escalation in the Middle East does not pose a material risk to our near-term inflation outlook. Periodic flare-ups in the conflict have been incorporated into our baseline forecasts for some time. Volatile moves in oil prices across July have on aggregate broadly tracked our assumptions (see here). However, given we are only a few weeks into Q3 and the conflict appears to be escalating, the balance of risks could shift.

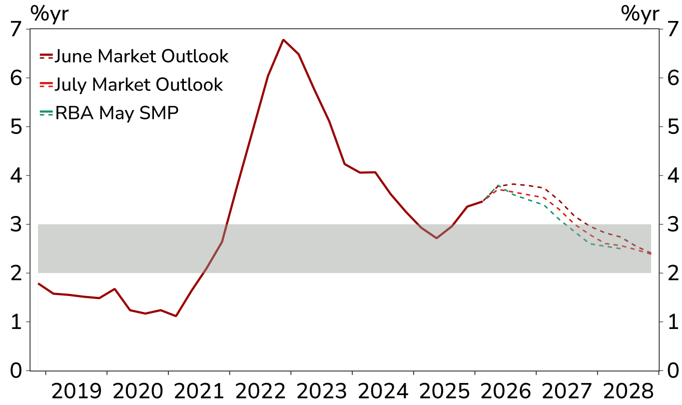
We now expect faster disinflation from mid-2027 onwards as higher interest rates, sluggish economic growth and weaker labour market outcomes begin to impact and bring supply and demand into better balance. This will see TM inflation reach the mid-point of the RBA's target band by Q3 2028, a quarter earlier than previously envisaged, dipping below the mid-point by end-2028.

International travel inflation



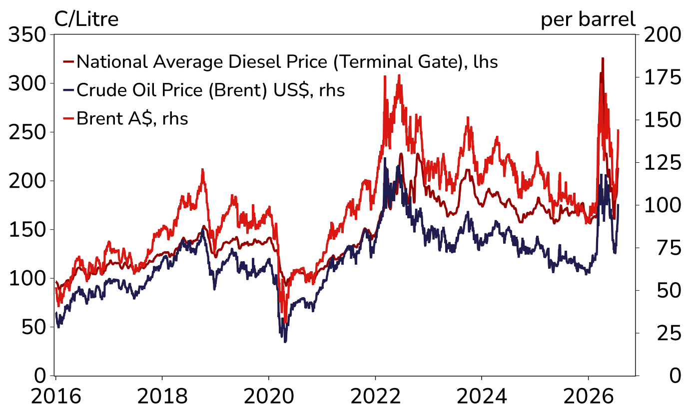
Source: MODS, ABS, Eurostat, BLS, ONS, Stats NZ, SBJ, Macrobond, Westpac Economics

Trimmed mean forecast revisions



Source: Macrobond, Westpac Economics

Oil and Diesel Prices



Source: CME Group, AIP, Macrobond, Westpac Economics

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