

CPI January 2026

The headline CPI rose by an unadjusted 0.4% in January, while the annual rate of consumer price inflation remained at 3.8%. This was slightly above the market consensus that was for a decline in annual CPI inflation to 3.7%.

In seasonally adjusted terms, the headline CPI picked up by 0.5% in January, to be up by 3.8% YoY (compared to 3.7% YoY in December).

Trimmed mean CPI rose by a seasonally adjusted 0.3%, taking annual trimmed mean inflation 0.1ppts higher to 3.4%. Monthly trimmed mean inflation is not strictly comparable to its quarterly equivalent, which remains the key focus for the RBA for the time being.

%	MoM	YoY
Headline CPI	0.4	3.8
Headline CPI (Seasonally Adjusted)	0.5	3.8
Trimmed Mean CPI (Seasonally Adjusted)	0.3	3.4
Market Sector Ex 'Volatile Items'	-0.2	3.2
Goods	1.3	3.8
Services	-0.7	3.9
Tradables	-1.2	1.9
Non-tradables	1.2	4.9

Data is original (not seasonally adjusted) unless stated otherwise.

Groups

The largest contribution to the annual rate of consumer price inflation came from housing (+6.8% YoY, +1.4ppts). This was mainly due to base effects on electricity (+32.2% YoY). New dwelling prices rose by 3.5% YoY, while rents increased by 3.9% YoY.

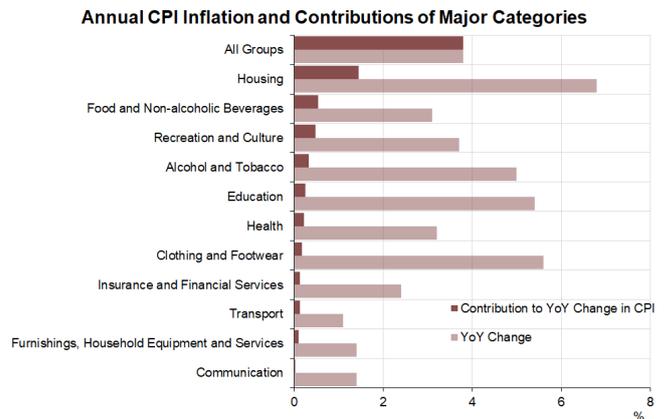
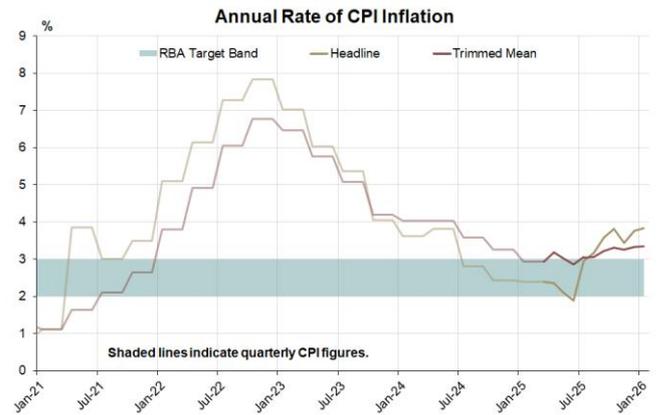
Outside of housing, there were solid annual gains in the prices of clothing and footwear (+5.6% YoY), education (+5.4% YoY) as well as alcohol and tobacco (+5.0% YoY). Due to their small weight in the CPI basket, these categories contributed 0.8ppts to inflation altogether.

Capital Cities

Annual CPI inflation rates varied from 3.3% in Melbourne to 4.9% in Perth, reflecting the varying base effects on electricity costs.

The 0.5ppts increase in annual Perth CPI inflation to 4.9% in January was driven by a 13.5% rise in housing amid a 250.3% surge in electricity costs as energy bill relief in January was smaller than a year ago. Categories other than housing saw either smaller or comparable increase in prices to those observed nationwide.

Capital Cities (% , Original)	MoM	YoY
Perth	0.3	4.9
Sydney	0.4	3.9
Melbourne	0.5	3.3
Brisbane	0.1	4.3
Adelaide	0.3	3.5
Hobart	0.1	3.6



Comment

The January CPI report provided another piece of information supportive of a rate hike in the coming months.

Both headline and trimmed mean inflation measures remained above the 2-3% target range. While the monthly trimmed mean is not a one-to-one indicator of the quarterly measure, it implies that Q1 inflation rates will remain uncomfortable for the RBA.

Essential items have been the biggest contributor to inflation, with a 0.2ppts acceleration to 4.1% YoY (partly due to electricity prices). Discretionary items, which are more dependent on demand, saw inflation of 3.5% YoY, solid but the same as in the previous month. Less than half of the items in the basket saw acceleration in price growth in January, lower than in December.

That said, the RBA continues to rely on the quarterly CPI figures, particularly for trimmed mean inflation, which means that it is likely to wait until the full Q1 release before making any decision. Given this, the next rate hike, if it comes, will most likely be in May.

The headline monthly CPI figures were enough to lift the market pricing for a May cash rate hike to nearly 90% from 85%. The next important piece of information will be Q4 GDP scheduled for next Wednesday.

25 February 2026