

# CPI May 2026

The CPI declined by an unadjusted 0.7% in May, nearly double the 0.4% fall pencilled in by market consensus.

The annual rate of headline consumer price inflation ebbed by 0.2ppts to a three-month low of 4.0%, against market expectations of a 0.1ppts uptick to 4.3%.

%	MoM	YoY
Headline CPI	-0.7	4.0
Headline CPI (Seasonally Adjusted)	-0.1	4.0
Trimmed Mean CPI (Seasonally Adjusted)	0.4	3.6
Market Sector Ex 'Volatile Items'	-0.3	3.2
Goods	-0.7	4.2
Services	-0.7	3.7
Tradables	-1.5	2.5
Non-tradables	-0.3	4.7

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

In seasonally adjusted terms, the CPI declined by 0.1% in May, to be up by 4.0% through the year.

The trimmed mean CPI rose by a seasonally adjusted 0.4% in May, taking the annual rate 0.2ppts higher to 3.6%. This was an upside surprise to market participants, who expected an uptick to 3.5%.

The 3.6% figure is the highest rate of trimmed mean inflation in the short history of the monthly series and is above the 2-3% RBA target range. Due to uncertain seasonal patterns, the RBA continues to focus on the quarterly series, which is due in a month.

## Groups

Housing remained the main contributor to annual consumer price inflation in May, reflecting base effects on electricity prices, but also in rent and new dwellings.

There was also a strong positive contribution from transport costs, but it was somewhat lower than in April amid a plunge in automotive fuel prices over the month, leading to a sharp slowdown in annual price growth.

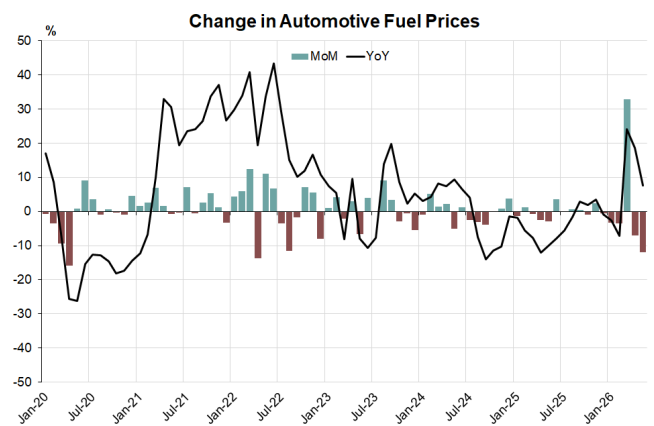
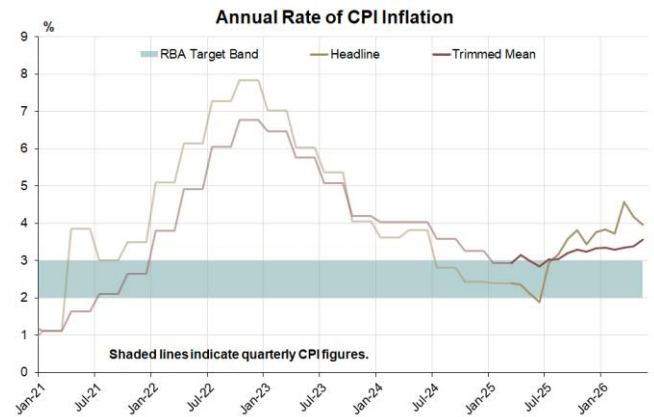
## Capital Cities

The CPI fell across all capital cities in May, with the pace of decline ranging between 0.5% in Sydney and Perth, and 0.9% in Melbourne.

The highest annual rate of consumer price inflation, of 5.0%, was recorded in Hobart, while Melbourne recorded the lowest inflation rate of 3.5%.

In Perth, annual consumer price inflation ticked up by 0.1ppts to 4.0%, with strong increases in housing and transport.

Capital Cities (% , Original)	MoM	YoY
Perth	-0.5	4.0
Sydney	-0.5	4.2
Melbourne	-0.9	3.5
Brisbane	-0.7	4.1
Adelaide	-0.7	4.4
Hobart	-0.8	5.0



## Comment

The decline in the headline rate of annual consumer price inflation in May reflected mainly the lower costs of automotive fuel after the fuel excise cut and the stabilisation of global oil prices in the later stages of the war in the Middle East.

Given the large change, automotive fuel prices were excluded from trimmed mean inflation in May. This measure of underlying inflation continued to drift further away from the 2-3% target range.

While the RBA continues to focus on the quarterly trimmed mean series, the stronger-than-expected increase in underlying inflation in May implies some upside risk to the quarterly figures. However, the RBA forecast of 3.8% for mid-2026 appears quite a safe bet.

The fuel excise cut extension means that there is limited scope for a rise in headline inflation. However, the outlook for trimmed mean inflation is less certain, with the extent of pass-through from higher fuel costs still unclear, and some further upward pressure from minimum and award wage hikes.

While we continue to judge that there are likely to be no more cash rate hikes in this cycle, the possibility of a further increase cannot be ruled out completely.

**24 June 2026**