RESERVE BANK OF AUSTRALIA

Inflation

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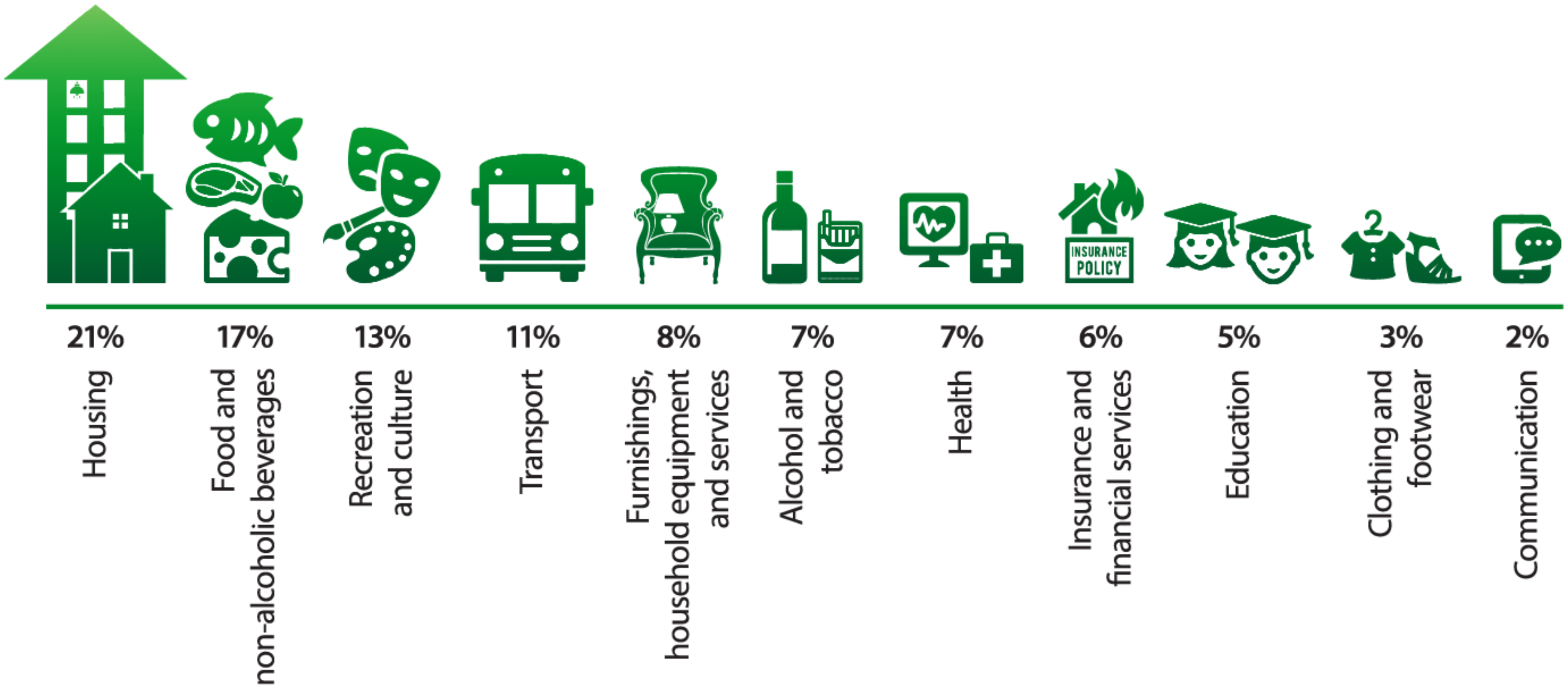
How inflation is measured

Groups in the CPI basket and their weights in 2025*



* Numbers do not add to 100 per cent due to rounding.

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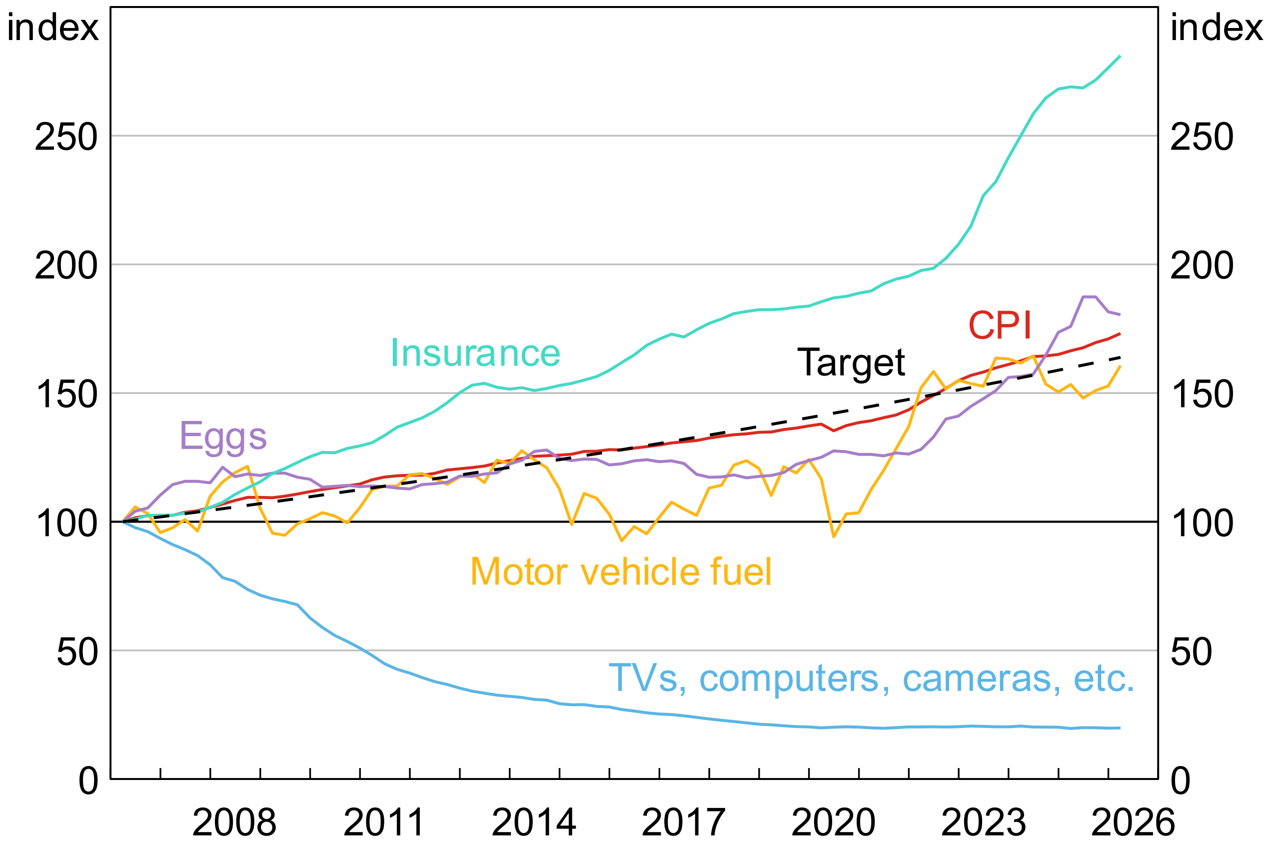
Relative prices of goods and services can change…

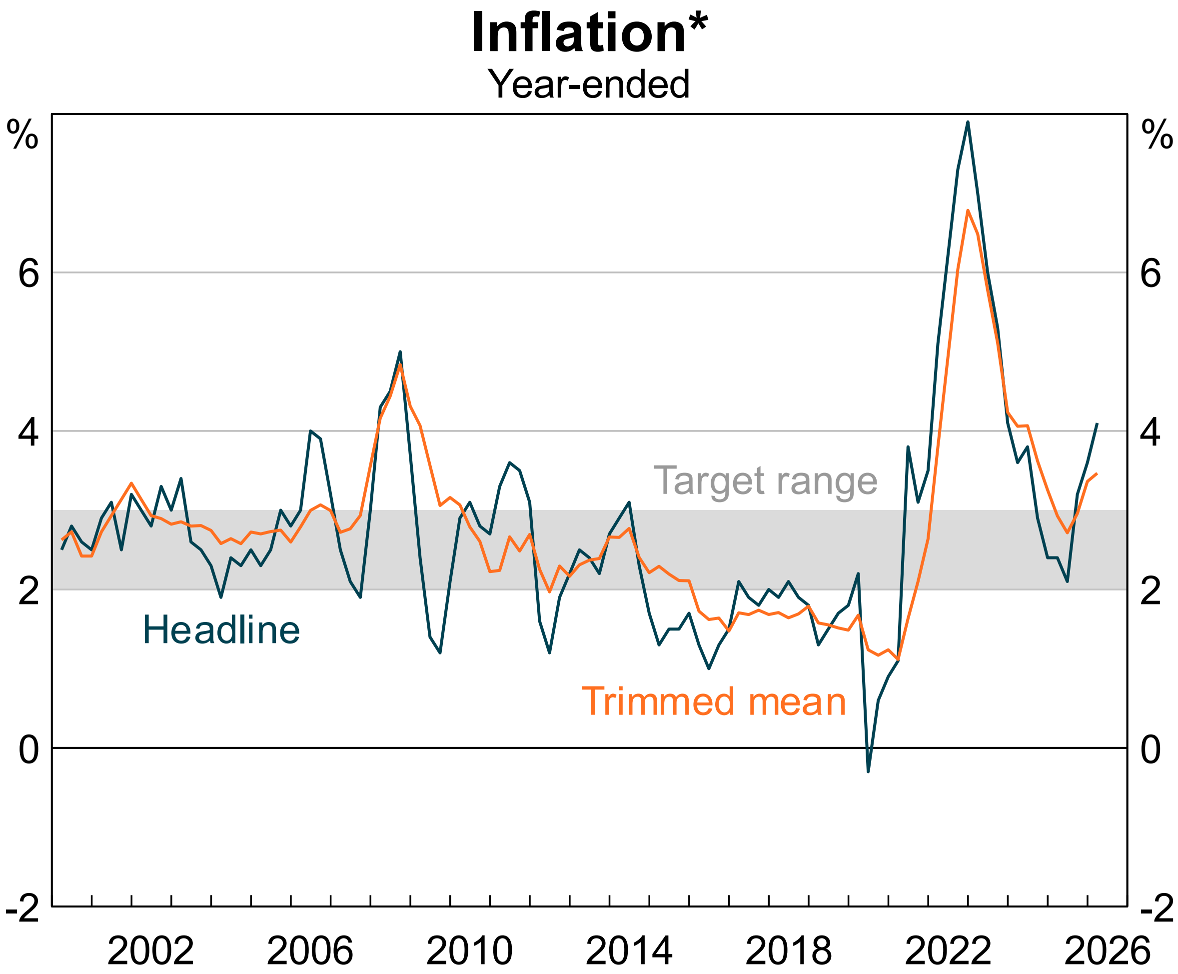
Consumer Price Indices

Quarterly collection, seasonally adjusted,
March quarter 2006 = 100



Sources: ABS; RBA.

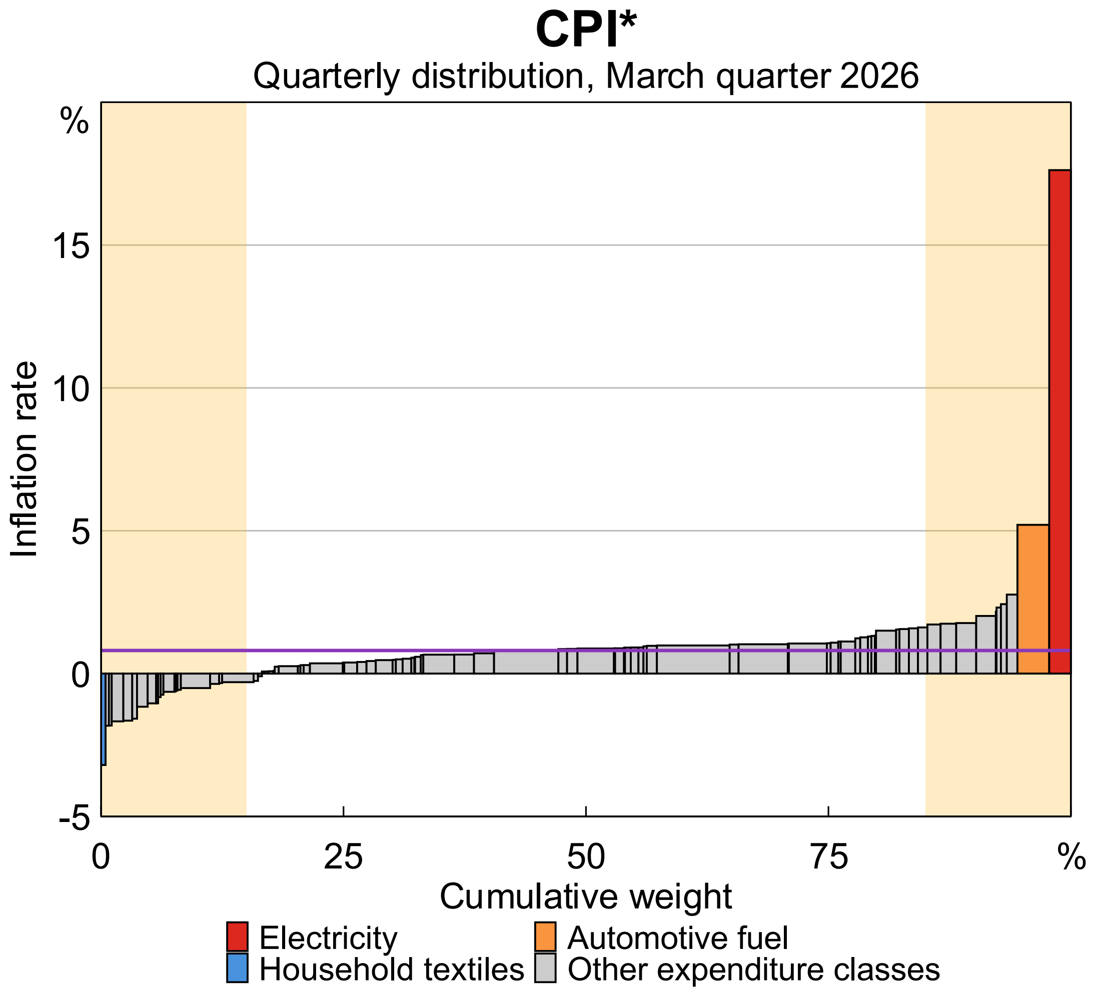
But monetary policy focuses on overall inflation



* Adjusted for the tax changes of 1999–2000.

Sources: ABS; RBA.

The trimmed mean is a measure of underlying inflation



* Quarterly collection; 30% trimmed mean (0.81) shown as purple line; trimmed region shown in yellow.

Sources: ABS; RBA.

Drivers of inflation

1. Domestic cost pressures (balance of demand and supply)
2. External shocks
3. Inflation expectations

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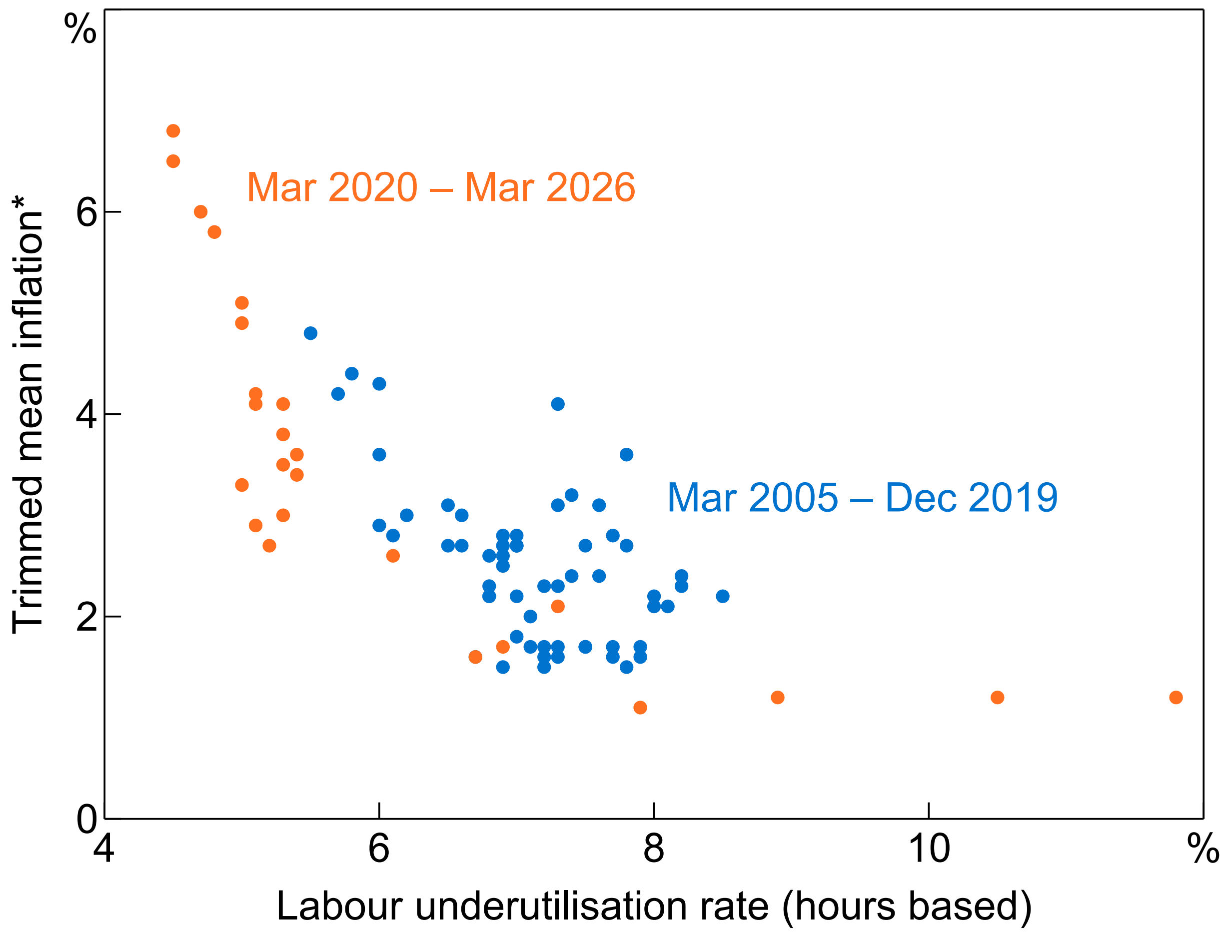
Demand shocks and domestic cost pressures

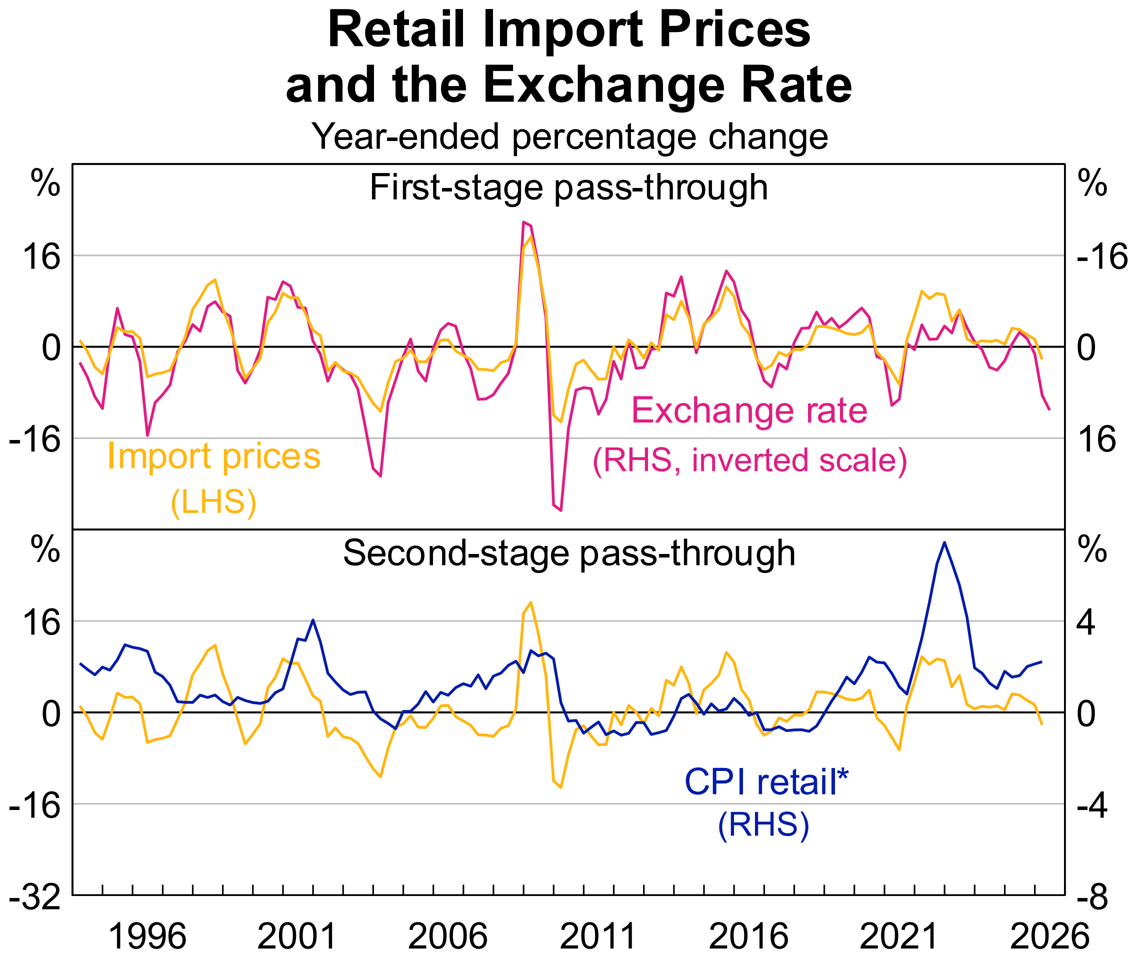
Inflation and Labour Underutilisation



* Year-ended inflation rate.

Sources: ABS; RBA.

Inflation can also reflect supply shocks and external factors



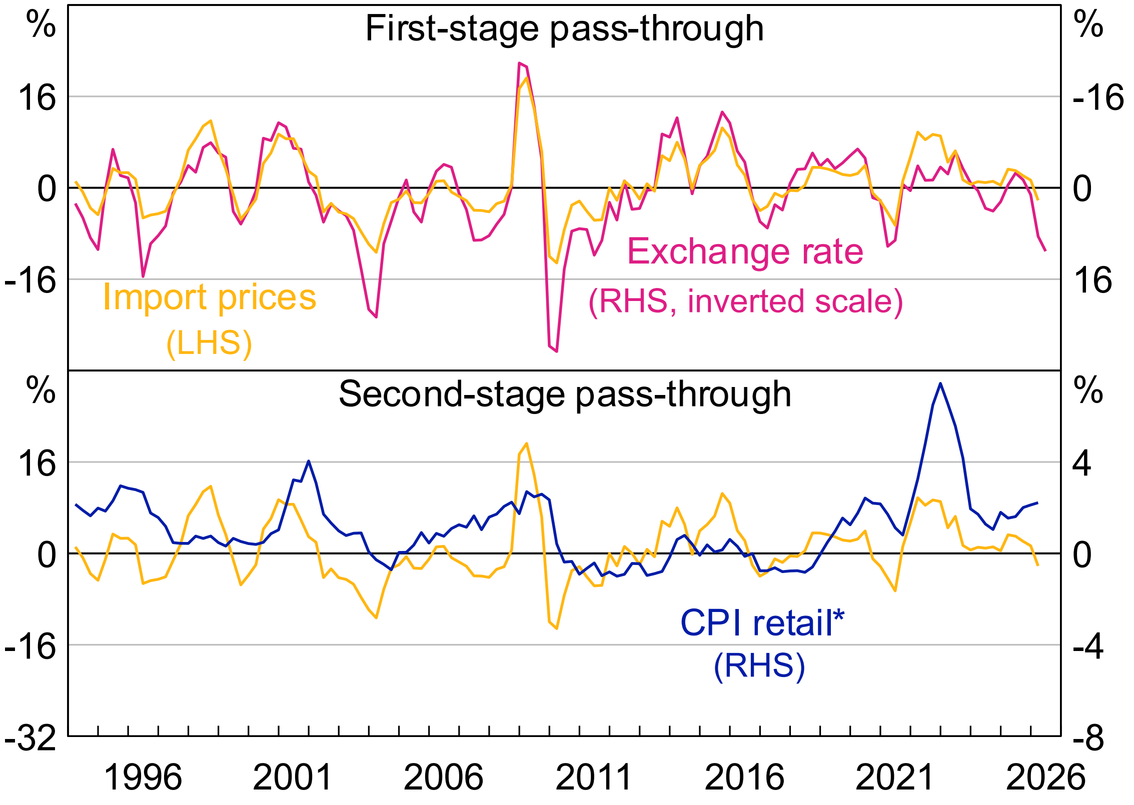
* Adjusted for the tax changes of 1999–2000.

Sources: ABS; RBA.

Inflation can also reflect supply shocks and external factors

Retail Import Prices and the Exchange Rate

Year-ended percentage change

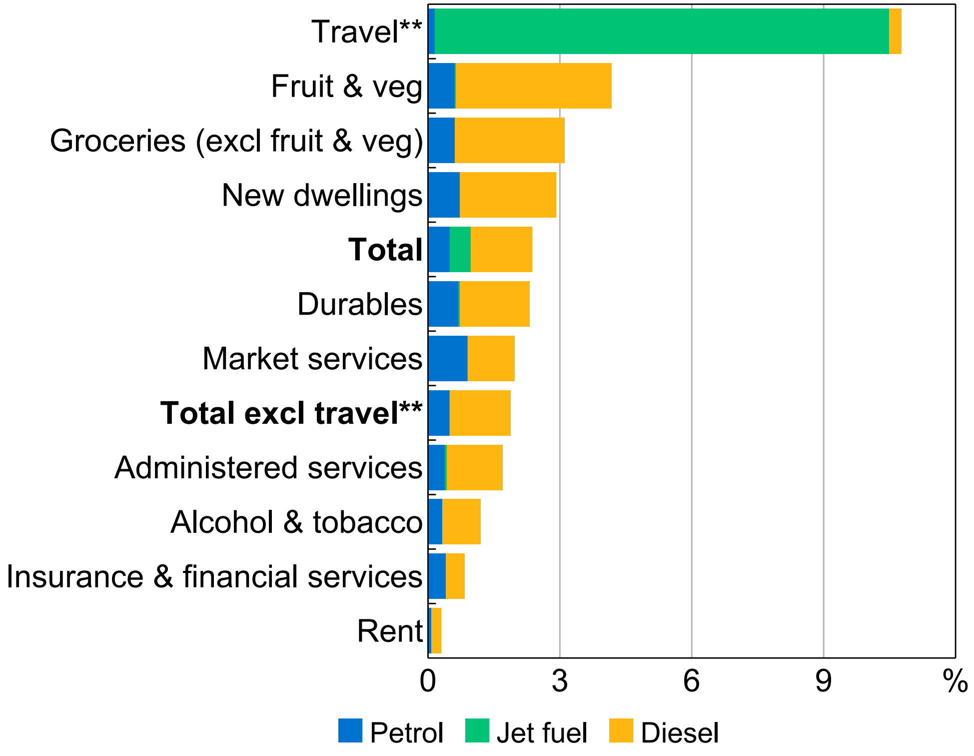


* Adjusted for the tax changes of 1999–2000.

Sources: ABS; RBA.

Indirect Domestic Fuel Intensity of CPI*

Fuel share of final prices, 2023/24



* Share of fuel in domestic production and distribution, calculated from input-output tables; totals exclude fuel used directly by consumers via the automotive fuel expenditure class.

** Travel represents the domestic and international holiday travel and accommodation expenditure classes, which includes fuel usage by airlines but not usage of fuel by consumers for passenger vehicles.

Sources: ABS: RBA.

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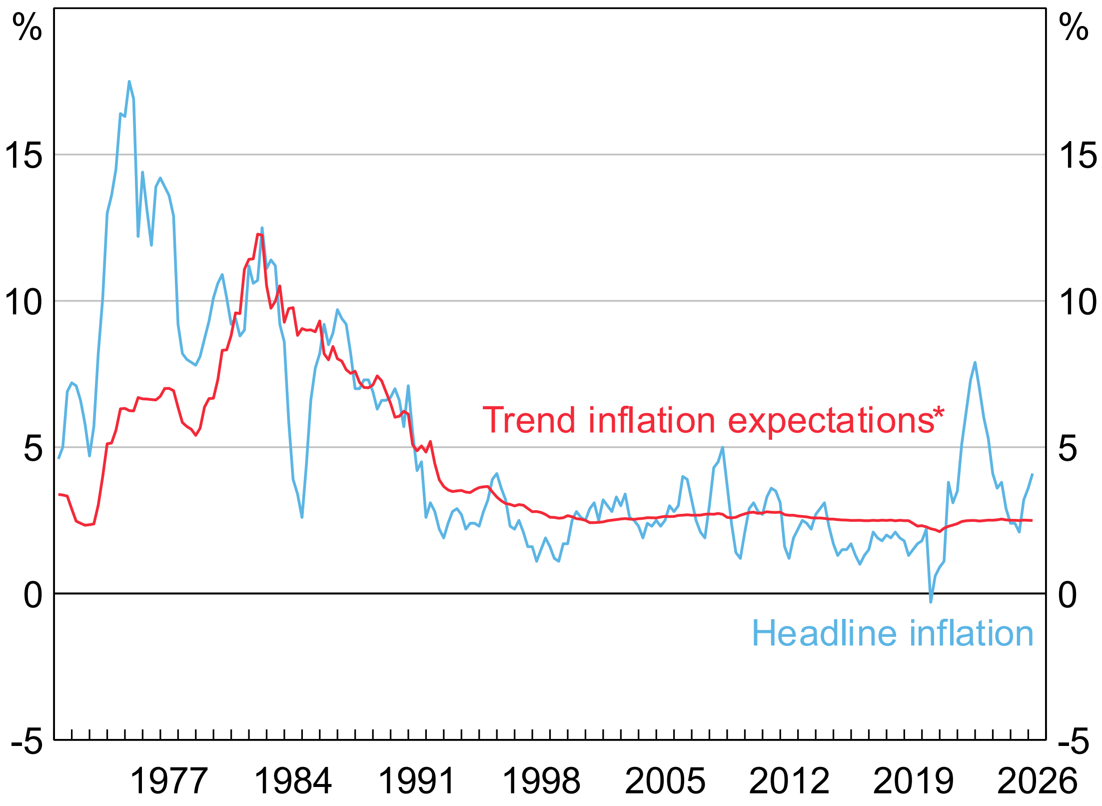
Pass-through of costs to prices and the role of expectations

Inflation Expectations and Inflation

Year-ended



* Computed using measures of household, market economist, union and financial market inflation expectations, over different time horizons.

Sources: ABS; Australian Council of Trade Unions; Bloomberg; Consensus Economics; Employment Research Australia; Melbourne Institute; RBA; Workplace Research Centre.

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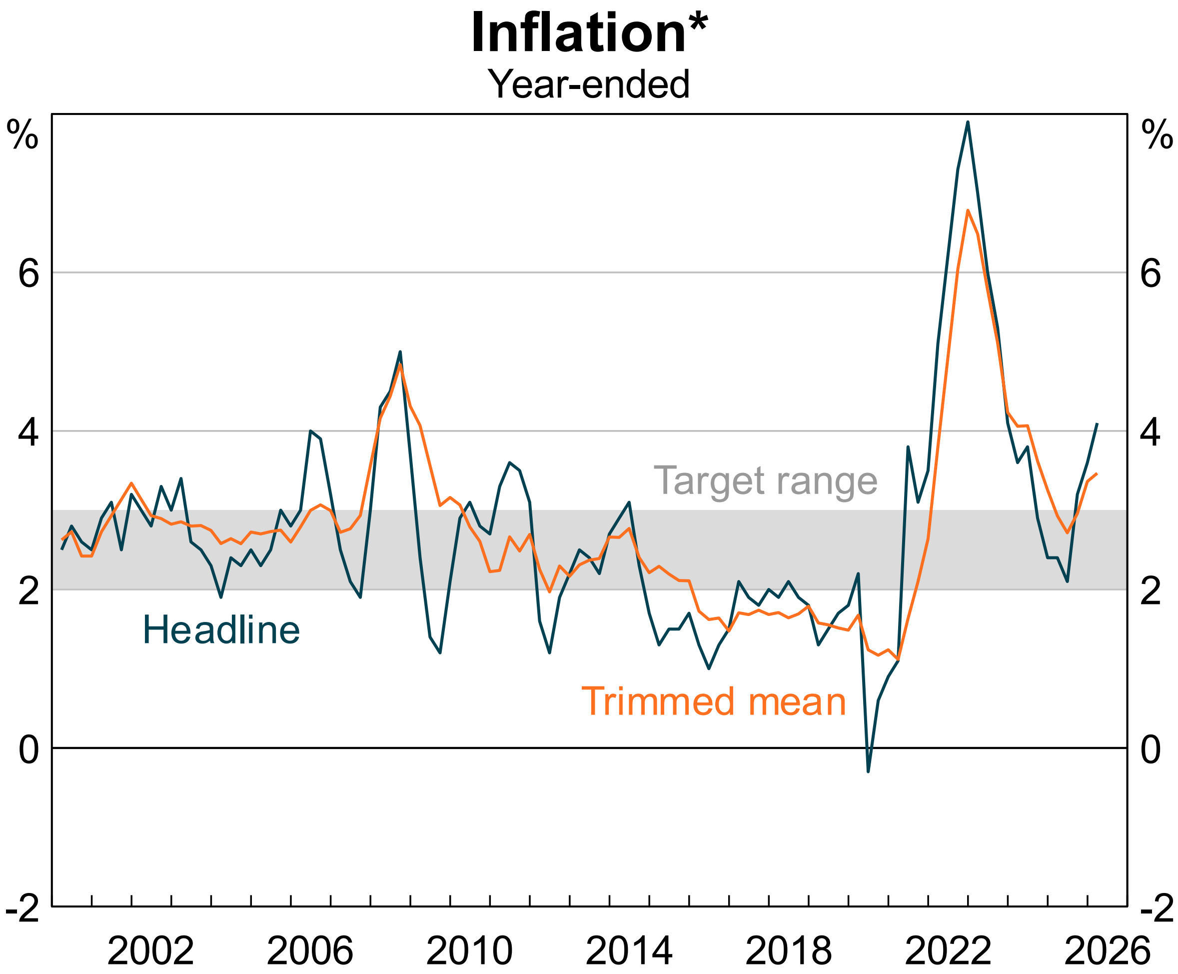
Measures of inflation have picked up since mid 2025



* Adjusted for the tax changes of 1999–2000.
Sources: ABS; RBA.

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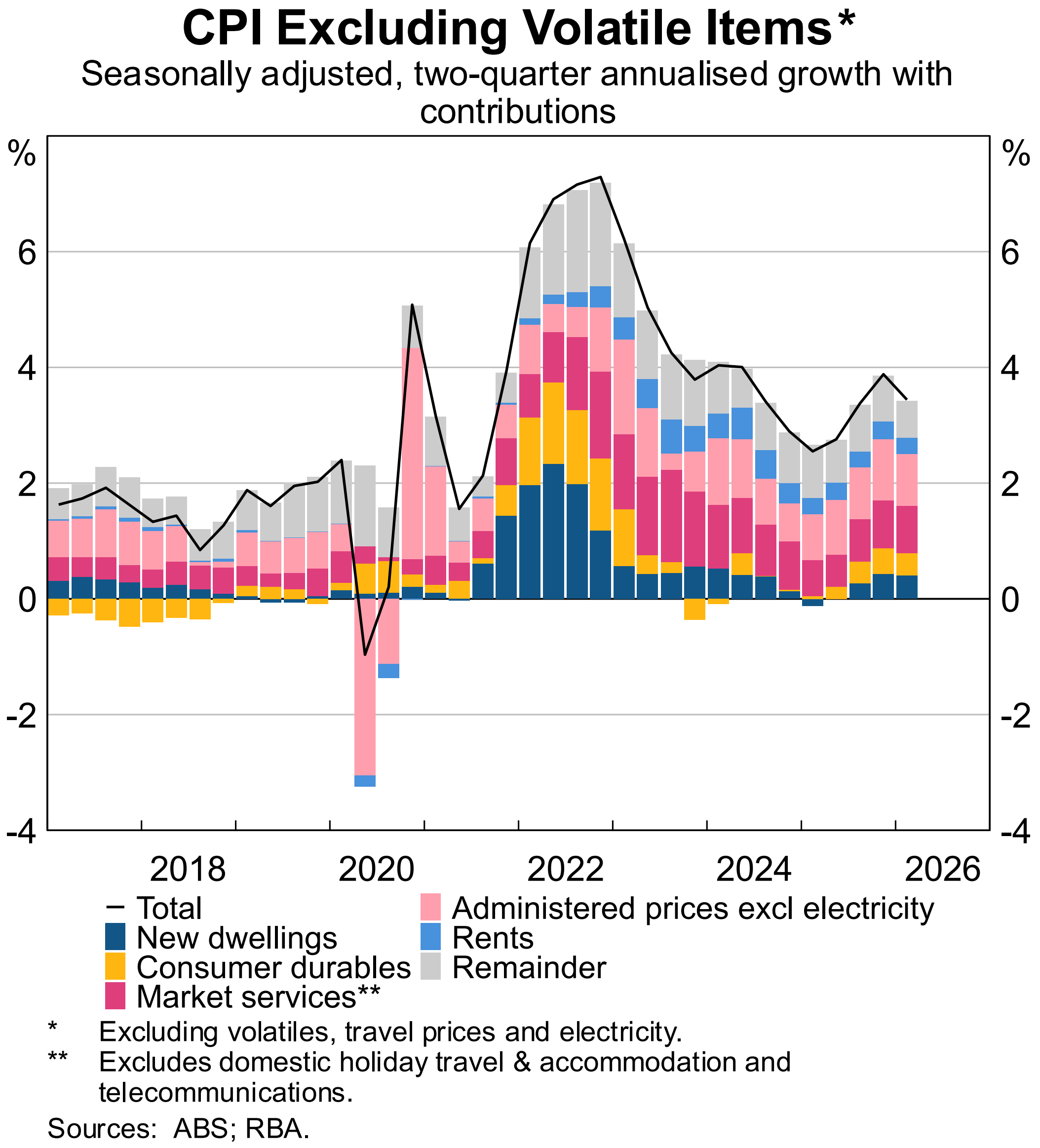
A sectoral lens



Q&A