

Inflation rises to 4% as fuel and housing costs climb

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Key points

- Annual inflation rose to 4.0% from 3.5% in July.
- Housing prices rose 5.7% and transport prices increased 5.6%.
- Underlying inflation held at 3.6% for a third straight month.

Australia's annual inflation rate rose to 4.0% in August, up from 3.5% in July, according to the latest Consumer Price Index (CPI) figures from the Australian Bureau of Statistics (ABS).

Prices rose 0.4% over August in original terms and 0.7% on a seasonally adjusted basis.

Housing was the biggest contributor to annual inflation, with prices across the category rising 5.7%.

"Housing was the largest contributor to annual inflation in August, rising by 5.7 per cent," ABS Head of Price Statistics Rachael McCririck said.

The housing category does not include the cost of servicing a mortgage but does include items like rent, utility costs such as water and electricity, construction costs, council rates and repairs to properties.

New dwelling prices rose 5.4% over the year as builders passed on higher material and labour costs, the ABS reported.

Fuel prices jump

Transport was the second-biggest contributor to annual inflation, rising 5.6% over the year as higher global oil prices flowed through to petrol prices.

Automotive fuel prices jumped 14.8% in August alone, following a 7.5% increase in July.

The ABS said the increase reflected higher world oil prices as well as the remaining unwind of the federal government's temporary fuel excise relief.

If everyone's feeling the squeeze, where's all this inflation coming from?

Many of us are feeling under cost-of-living pressure, so what's causing the inflation the RBA acknowledges is making Australians "furious"?

Underlying inflation holds at 3.6%

The rise in headline inflation was not matched by an increase in the ABS measure of underlying price pressures.

Annual trimmed mean inflation remained at 3.6% for a third consecutive month.

Trimmed mean inflation removes some of the largest price rises and falls to provide a clearer picture of underlying inflation.

Automotive fuel and electricity were both excluded from the trimmed mean calculation in August and were key drivers of the gap between headline and underlying inflation.

Inflation in focus after RBA rate rise

The latest figures were released a day after the Reserve Bank of Australia (RBA) raised the official cash rate by 25 basis points to 4.60%, its fourth increase of 2026.

The RBA said on Tuesday that recent inflation outcomes had been stronger than expected and that some of the upside risks to inflation identified at its previous meeting were materialising.

Higher global energy prices were among the pressures cited by the RBA in its decision.

The Board also left open the possibility of further rate increases if needed to bring inflation sustainably back towards its 2% to 3% target range.

The August CPI figures were not available when the Board made its September decision and will now form part of the economic data considered ahead of its next meeting.

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