

September data will keep inflation pressure on RBA: CommBank economists

Commonwealth Bank · 2026-10-22 · English original

Key points

- CBA expects underlying inflation to remain at 3.6%.
- Fuel and services are expected to keep pressure on prices.
- CBA still expects rates on hold in November but acknowledges the growing risk of another hike.

Australia's September quarter inflation figures are expected to show little further progress in bringing underlying price pressures down, putting the Reserve Bank of Australia's next interest rate decision firmly in focus.

Commonwealth Bank Senior Economist Trent Saunders said he expects the key trimmed mean measure of inflation - the RBA's preferred measure, which excludes one-off spikes and outliers to measure underlying inflation - to have risen 1.0% over the September quarter, leaving the annual rate at 3.6%.

CommBank economists expect headline inflation to rise 1.3% over the quarter, and 3.9% over the year, when the Australian Bureau of Statistics releases the consumer price index (CPI) figures on Wednesday, less than a week before the RBA's next monetary policy decision on Melbourne Cup Day, 3 November.

If the forecast is right, it would mark a fifth consecutive quarter in which trimmed mean inflation has risen by between 0.8% and 1.0%.

The result would also be stronger than the RBA's August forecast for a 0.8% quarterly rise in trimmed mean inflation, although Saunders said the strength already seen in July and August means a 1.0% result is unlikely to surprise the RBA's Board.

That follows August inflation data showing headline inflation had risen to 4% while underlying inflation remained at 3.6%.

Another rate rise remains a risk

"While our baseline remains for the RBA to leave the cash rate unchanged, the decision will depend heavily on the outcome and composition of next week's CPI print," Saunders said.

The RBA has already increased the cash rate four times this year, most recently lifting it by 25 basis points to 4.60% in September. The September rate rise followed stronger inflation and mounting concerns about domestic price pressures.

But Saunders said the meeting remained "live" and the decision would depend heavily on both the headline CPI result and what was driving it.

Uncertainty increased after RBA Deputy Governor Andrew Hauser said this week the inflation outlook

looked “materially worse” than the RBA had projected in August.

CBA's Market Strategy and Rates Research team said Hauser's comments caused a sharp repricing in interest rate markets, with market-implied expectations of a November increase jumping from about 24% to 56%.

The RBA is balancing those inflation concerns against signs of softer economic activity, including weaker labour market conditions and subdued consumption growth.

Saunders said an important question for the RBA Board will be whether the CPI shows price pressures becoming more broad-based or persistent, particularly in services.

Fuel expected to push headline inflation higher

Petrol prices are expected to make another large contribution to inflation in the September data.

CBA forecasts fuel prices rose 9.8% in September after a 14.8% increase in August, taking annual fuel inflation to about 24%.

Fuel alone is expected to add around 0.3 percentage points to the monthly headline CPI increase.

CBA forecasts annual headline inflation rose from 4.0% in August to 4.2% in September.

Services are another area the RBA will be watching closely. CBA expects annual market services inflation to rise from 4.1% to 4.3%, suggesting domestic price pressures remain firm.

If we're 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”?

What's happening with housing costs?

There are some signs inflation in new housing costs is starting to ease. CPI data does not include mortgage interest repayments, but does track other housing costs including rents, new dwelling construction, utilities, council rates, and property repairs.

CBA expects new dwelling prices to have risen 0.2% in September, with annual inflation slowing from 5.4% to 4.9%.

Construction costs pushed new home prices higher earlier this year, but weaker demand for new homes and softer conditions in the established property market are expected to increasingly limit builders' ability to pass higher costs on to buyers.

Rent pressures remain firm, with annual rent inflation forecast at around 3.5%. CBA said low vacancy rates and tight rental conditions continue to support rental growth.

Property rates and charges are also forecast to have risen 4.3% in September.

The housing slowdown is one of several signs that higher interest rates are feeding through the economy. RBA Assistant Governor Christopher Kent told Commonwealth Bank's Global Markets Conference this week that interest rate changes do take time to work through the economy, and that changes to monetary policy made so far in 2026 were broadly working as the RBA expected.

Where does inflation go from here?

"We expect underlying inflation to improve beyond the September quarter, but only gradually, with a risk that progress may be too slow for the RBA," Saunders said.

Softer household demand, a weaker labour market and slower housing activity should increasingly make it harder for businesses to pass higher costs through to consumers.

But persistent services inflation and higher input costs, including fuel, could slow that improvement.

- Economy
- News
- CBA story

Newsroom

For the latest news and announcements from Commonwealth Bank.

Things you should know

The information presented is an extract of a Global Economic and Markets Research (GEMR) Economic Insights report. GEMR is a business unit of the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. This extract provides only a summary of the named report. Please use the link provided to access the full report, and view all relevant disclosures, analyst certifications and the independence statement. The named report is not investment research and nor does it purport to make any recommendations. Rather, the named report is for informational purposes only and is not to be relied upon for any investment purposes. This extract has been prepared without taking into account your objectives, financial situation (including your capacity to bear loss), knowledge, experience or needs. It is not to be construed as an act of solicitation, or an offer to buy or sell any financial products, or as a recommendation and/or investment advice. You should not act on the information contained in this extract or named report. To the extent that you choose to make any investment decision after reading this extract and/or named report you should not rely on it but consider its appropriateness and suitability to your own objectives, financial situation and needs, and, if appropriate, seek professional or independent financial advice, including tax and legal advice.

Source: <https://www.commbank.com.au/articles/newsroom/2026/10/inflation-cpi-rba-interest-rates-november.html>