Headline and Underlying Inflation

Headline inflation reflects the prices of all goods and services in the Consumer Price Index, whereas underlying inflation excludes unusually large or volatile price changes.

Inflation is expected to be above the 2–3 per cent target range for a while longer.

Inflation Forecast	**Headline Inflation (%)**	**Underlying Inflation (%)**
June 2026	3.9	3.6
Dec 2026	3.6	3.3
June 2027	2.8	3.0
Dec 2027	2.6	2.6
June 2028	2.4	2.4
Dec 2028	2.4	2.4

Energy and most related commodity prices stay above where they were prior to the conflict in the Middle East. Disruption to global oil supply is adding directly to inflation, and higher fuel costs are passing through to a wider range of goods and services, keeping inflation high for now. Firms experiencing higher input costs are increasing the prices of their goods and services, with more expected to follow. Headline inflation is expected to remain above 3 per cent for the rest of 2026 and is not projected to return to the middle of the 2–3 per cent target range until early 2028.