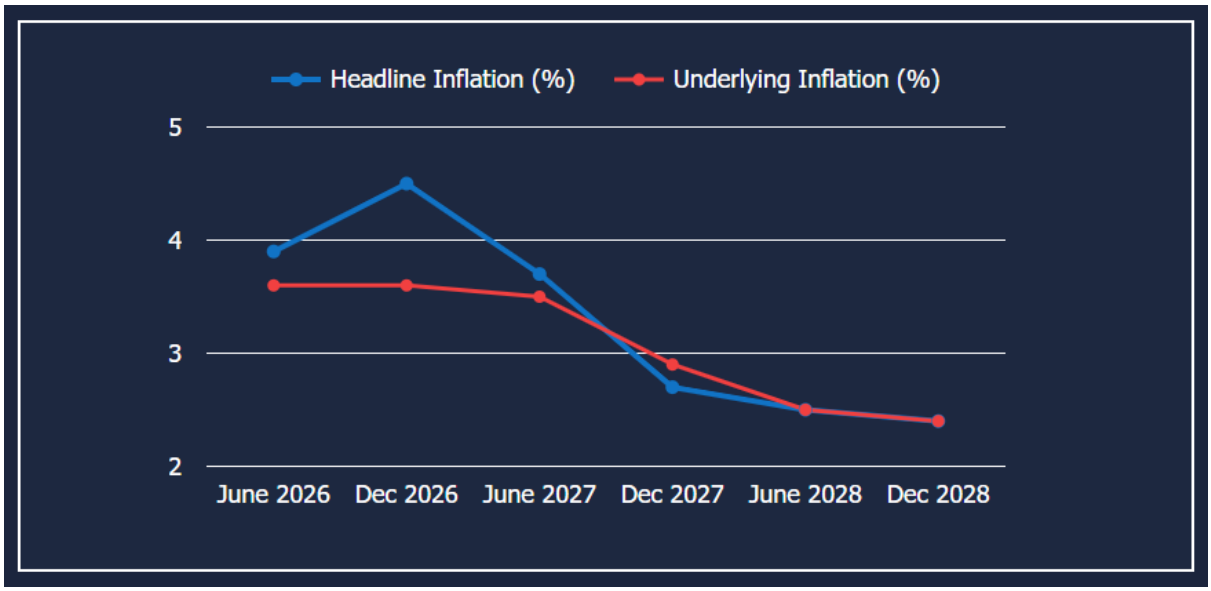
Headline and Underlying Inflation

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 much longer.

Inflation Forecast	**Headline Inflation (%)**	**Underlying Inflation (%)**
June 2026	3.9	3.6
Dec 2026	4.5	3.6
June 2027	3.7	3.5
Dec 2027	2.7	2.9
June 2028	2.5	2.5
Dec 2028	2.4	2.4

The conflict in the Middle East has driven fuel and related commodity prices sharply higher, already adding to inflation. Firms facing higher costs are raising prices of their goods and services. AI-driven demand is fueling a notable rise in global prices for technology-related goods. 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 mid-2028.



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