

Weekly Economic Update



30 January 2026

Australia's broad and "persistent" inflation problem

The RBA has failed to stick its desired "soft landing". Confirmation this week that annual inflation in Australia is accelerating on every main measure pretty much locks in a rate hike. It may or may not come after the Board meeting next week (markets now price a better than 80% chance of +25bp), but it's coming. Probably more than one, if history is a guide.

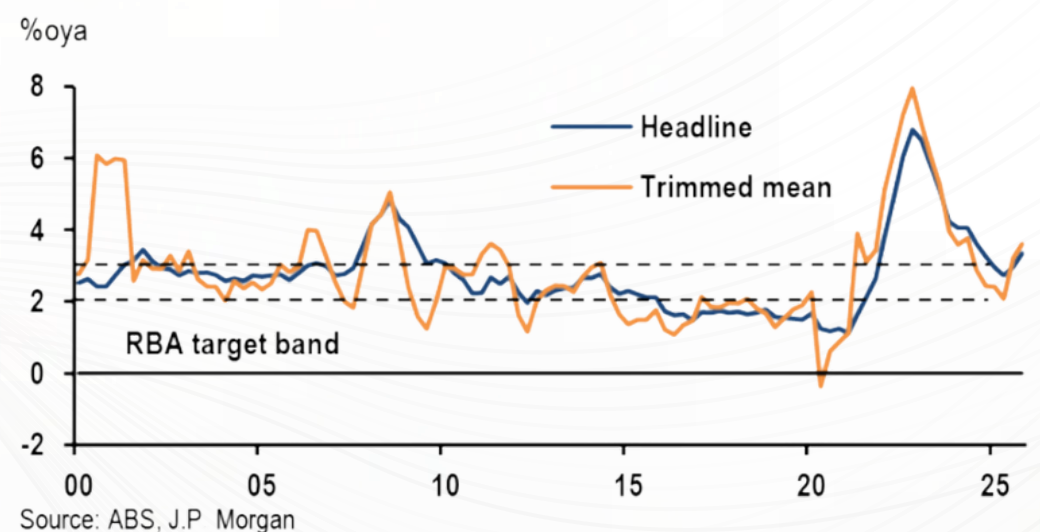
There's no way to sugar-coat this. Annual inflation accelerated by more than economists had expected, by more than the RBA had forecast, for both the headline and (core) trimmed mean measures (see chart below from JPMorgan), and for both goods and services. It's broad-based and persistent. Annual inflation is fast approaching 4% - up significantly from 3.2% in the September quarter and moving further away from the top of the RBA's 2-3% target range.

This unwanted "persistence" of inflation, as the IMF described it ominously last week, means the Reserve Bank is very likely to be the first major central bank to raise interest rates in this cycle. This will be a stark contrast to the paths taken elsewhere (except in Japan), although the US Fed held steady yesterday. No wonder the AUD has soared to a three-year high.

The other main economic news in Australia this week was revealed in the December NAB Business Survey. Both business confidence and conditions improved, although the headline confidence measure remains at a subdued level. Recall that consumer confidence fell again in January, following the unexpected plunge late last year.

Elsewhere in markets, shares in the US reached yet another record high this week, as did the gold bullion price, which pierced US\$5,000 for the first time. Silver has seen an even bigger gain even though the previous imbalance between demand and supply is correcting. Momentum can be a wonderful thing in markets ... until it isn't.

Australia: Headline and trimmed mean inflation





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