THE HOUSEHOLD REPORT

Tracking the cost of living for different Australian households

July 2026

POLIS PARTNERS

ECONOMIC POLICY FINANCIAL

The Household Report

About

The Household Report combines income, expenditure and price data to track how much, on average, an Australian household has left for non-essential spending at the end of each month. This household budget perspective is how most households understand and experience cost-of-living pressures. This measure is also relevant to any businesses reliant on household spending.

Q1 2026 Summary

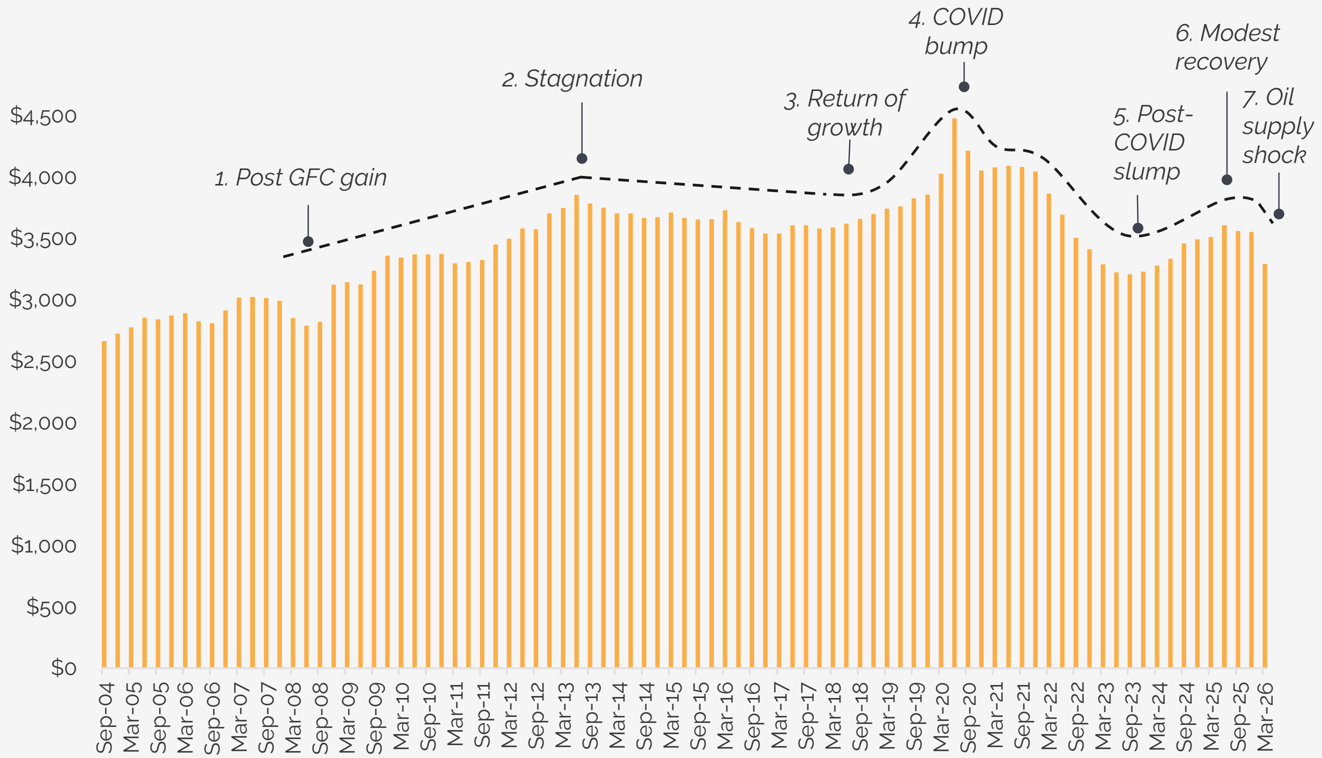
1. **Sharpest hit to family budgets since analysis began in 2004** - during the first quarter of 2026, the average Australian household felt the sharpest fall in household discretionary income on record. This was driven by two interest rate rises and the spike in fuel prices, neither of which were offset by wage increases.
2. **Less to spend every month on non-essentials** – this jump in essential expenditure meant that by March 2026, the average Australian household had **$208 less** per month for non-essential spending like eating out, holidays, furniture and electronics, gym memberships and savings. These household budget hits are conservative as the full impact of the fuel price spike in March is averaged out across the quarter.
3. **The biggest impact is concentrated on certain households** – a family with a mortgage and two cars took the biggest hit to their budget. By the end of March, they had **$450 less** to spend on non-essential items compared to December 2025. Households in the lowest 20% of incomes find their costs of essentials greater than their monthly income while households in the top 20% of incomes have been relatively insulated.
4. **Big annual hit to household budgets** – these first quarter 2026 results are the major driver behind a larger annual deterioration in household budgets. Compared to March 2025, the average household now has **$782 less** to spend on non-essential items per year.

L o n g - t e r m   v i e w

The modest recovery to the household budget during 2024 and 2025 has been almost entirely erased by cost increases in the first quarter of 2026. Lower inflationary periods through 2024 and 2025, combined with increases in average weekly earnings and three interest rate cuts by the RBA, led to a steady recovery in non-essential income for households. This run of modest improvement in 2025 lifted the pressure on the household budget to its best position since June 2022. This run was ended by a rebound in the rate of inflation during the second half 2025, interest rate rises beginning in early 2026 and sharply rising fuel costs attributed to spikes in the price of crude oil following the closure of the Strait of Hormuz.

The modest recovery since the post-COVID slump has largely unwound, leaving households in real terms only marginally better off, and in a position equivalent to levels from 15 years prior.

Long term changes to non-essential funds per month ($ real Mar 2026)



Household personas

At a per household level, the quarterly impact was felt differently across cohorts. Those who owned their homes outright felt the squeeze the least, whilst the mortgage holding household with children took the largest hit.

The March 2026 quarter

A renting couple in their 30s saw non-essential funds fall by **$180 per month** but retain the highest non-essential income across personas.

A mortgage household with two cars and two kids has taken the biggest hit, **falling $450 per month** and has the lowest non-essential income of the personas.

A typical owned-outright household has **$140 less** non-essential income per month, taking the smallest hit to the household budget.

Annual view

Marginal gains made through 2025 were more than erased through the first quarter of 2026.

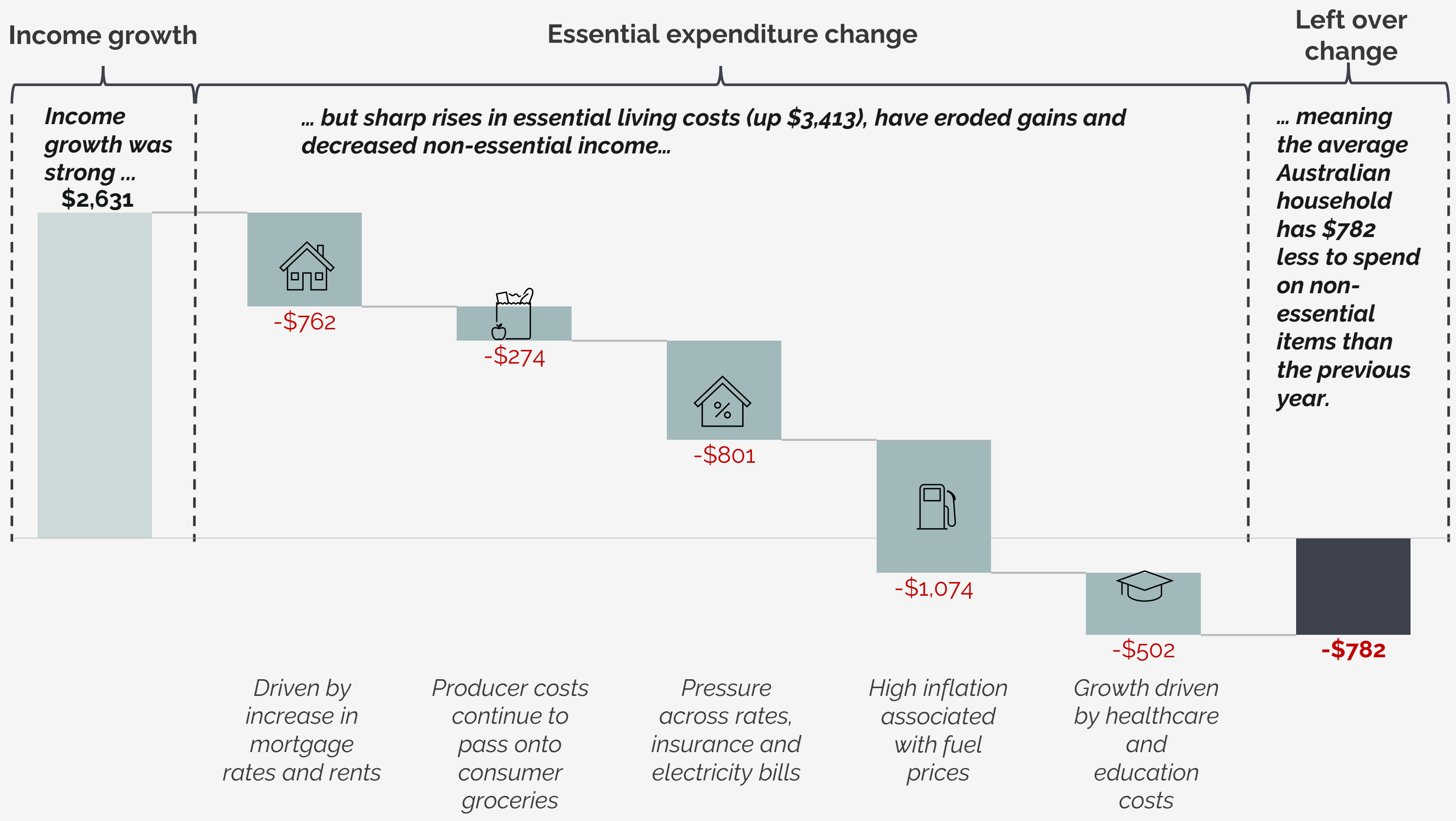
Over the last year, wage growth was strong, underpinned by a tight labour market and 'wage catch-up' from high inflation periods.

However, this growth in wages was eroded by rising essential household costs, driven by rising housing and fuel costs.

This annual rise in essential costs more than outstripped the annual rise in incomes. This means the average household was worse off, having less left for spending on non-essential items.

In nominal terms, the average Australian household has **$782 less** in their bank account for saving or spending on non-essential items from the March 2026 household budget, compared to the previous year.

Annual changes to the household budget (March 2026)



Household income levels

The squeeze has been felt differently by households in different income brackets.

Households in the lowest 20% of incomes still find the cost of essentials greater than monthly income. This deficit means households are forgoing essential items, falling behind on bills, going into debt or resorting to other means such as relying on friends or family.

At the top end of the income spectrum, just over half of income is spent on essential household items and income growth broadly kept up with essential expenditure growth.

		Lowest	Second	Third	Fourth	Highest
		The 20% of households with the lowest income	The 20% of households with the second lowest income	The 20% of households with the third highest income	The 20% of households with the second highest income	The 20% of households with the highest income
Mar 26	**Net income per week**	$610	$1,203	$1,835	$2,659	$4,693
Mar 26	**Essential expenditure per week**	$692 113% of net income is spent on essential items	$942 78% of net income is spent on essential items	$1,353 74% of net income is spent on essential items	$1,682 63% of net income is spent on essential items	$2,532 54% of net income is spent on essential items
Mar 26	**Available discretionary funds per week**	*Households in the lowest quintile are in deficit every week* **-$81**	**$261**	**$481**	**$977**	**$2,161**
Mar 25 vs. Mar 26	**Change in discretionary funds per week compared to last year**	-$19 -30%	-$17 -6%	-$21 -4%	-$15 -2%	$-2 0%

Methodology

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The Household Report combines income, expenditure and price data to track how much, on average, an Australian household has left for non-essential spending at the end of each month.

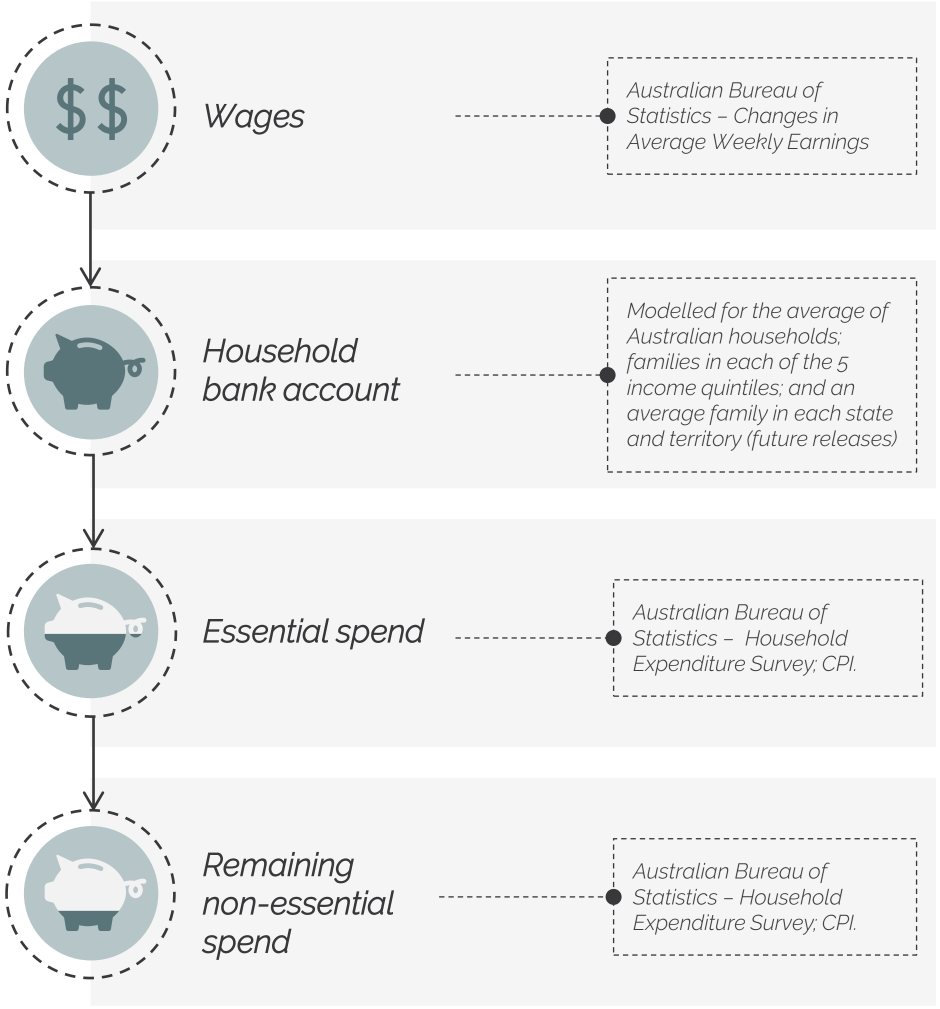
This tracking first factors in changes in household income (i.e., how much money is going into their bank account).

Second, changes in essential household spend (such as mortgage, groceries, petrol and bills) have been captured. This is spending that households are committed to and have less ability to scale back.

Once essential spend is accounted for, the amount of money the household has left for 'discretionary' purchases of non-essential items like electronic goods, eating out, attending events and holidaying is revealed, and tracked. Alternatively, remaining money can be saved or invested.

Our analysis is anchored by the latest ABS data. Core results are presented for the average of Australian households. Additional analysis presents results across 5 different income levels.

Future releases of The Household Report will track the differences between households across all states and territories. Savings and investment will also be progressively factored in and tracked.



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