MEDIA RELEASE

Aussie households face the biggest budget shock in 20 years

The Household Report by economics consultancy Polis Partners has found Australian households have faced the steepest hit to their budgets in over two decades.

The analysis combined national income, expenditure and price data to track how much Australian households have left for non-essential spending after essential living costs.

March 2026 saw the sharpest quarterly fall in discretionary income since 2004. The average household had $208 less each month for non-essential spending like eating out, holidays, electronics or for saving compared to December 2025.

Families with a mortgage were the hardest hit, down approximately $450 a month.

The blow has erased almost all of the recovery that the average household made to their budgets over 2024 and 2025, leaving households back where they were 15 years ago in real terms.

The analysis captures the impact of the two interest rate rises and the petrol price surge that followed the closure of the Strait of Hormuz.

Polis Partners Director, Mr Rob Tyson, said the report shows how quickly household budgets can deteriorate when multiple cost pressures hit at the same time.

"Housing circumstances, household composition and income all shape how exposed a family is. The impact across households has been very uneven and those with the least room to move are being hit hardest."

The report's findings are most concerning for low income and vulnerable households, with households earning the lowest 20% experiencing budget deficit, meaning household essential costs were consistently exceeding income.

High income households and those who own their homes outright, have been relatively insulated from the budget hits.

Mr Tyson warns there may be more pain in sight for Australian households.

"Unfortunately, the squeeze isn't over. Pressure will continue into the June quarter as another interest rate rise has diminished any relief associated with halving the fuel excise tax."

"Continued uncertainty around fuel prices and future RBA decisions could plausibly see Australian household budgets deteriorate further through the year."

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