



3 April 2025

# INFLATION MARCH QUARTER CPI PREVIEW

Core inflation set to return to the target band

## Key points

- Westpac's March quarter CPI near-cast is 0.7%qtr/2.2%yr, a further drop from the 2.4%yr pace in December.
- Our March Monthly CPI Indicator near-cast is 0.4%mth/2.1%yr, a step down from 2.4%yr in February.
- Our Trimmed Mean estimate for the March quarter is 0.6%, with the annual pace easing back to 2.8%yr from 3.2%yr and the two-quarter annualised pace dropping to 2.3%yr.
- Both our CPI and our Trimmed Mean estimates are rounded down from two decimal places so we see the risks to both estimates to the upside.
- The cost of living assistance shaved 0.7ppt off CPI inflation in the year to December but less than 0.1ppt off the Trimmed Mean. For the current year, the ending of assistance will boost annual CPI inflation by 0.5ppt at December 2025.

## Breakdown: Mar Quarter CPI & Mar Monthly CPI

	Mar f/c	Jan	Feb	Mar f/c
	Qtr	Mth	Mth	Mth
Item	% qtr	% mth	% mth	% mth
<b>Food</b>	<b>1.1</b>	<b>0.8</b>	<b>0.0</b>	<b>0.2</b>
of which, bread & cereals	0.8	0.7	-1.2	1.0
of which, meat & seafood	1.1	0.6	0.0	0.5
of which, dairy & related prod.	0.5	-0.1	-0.7	0.5
of which, fruit & vegetables	2.0	3.3	-0.5	0.3
of which, food products nec	1.4	1.4	-1.3	-0.1
of which, non-alcohol bev.	2.7	1.2	2.1	-0.5
<b>Alcohol &amp; tobacco</b>	<b>1.2</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>
of which, alcohol	1.0	0.8	1.0	0.3
of which, tobacco	1.4	0.5	0.6	2.0
<b>Clothing &amp; footwear</b>	<b>-0.4</b>	<b>-1.7</b>	<b>1.6</b>	<b>-0.3</b>
of which, garments	-0.4	-2.5	2.8	-0.5
<b>Housing</b>	<b>0.3</b>	<b>0.9</b>	<b>-0.1</b>	<b>0.7</b>
of which, rents	1.2	0.3	0.5	0.3
of which, house purchases	-0.3	-0.1	-0.1	0.1
of which, electricity	0.3	8.9	-2.5	5.0
of which, gas & other fuels	0.2	0.1	0.2	0.2
<b>H/hold contents &amp; services</b>	<b>-1.1</b>	<b>-1.4</b>	<b>0.1</b>	<b>0.2</b>
<b>Health</b>	<b>2.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2.4</b>
<b>Transportation</b>	<b>1.1</b>	<b>-0.5</b>	<b>0.8</b>	<b>0.0</b>
of which, auto fuel	2.1	-1.4	1.2	-0.2
<b>Communication</b>	<b>0.1</b>	<b>-0.4</b>	<b>0.9</b>	<b>-0.1</b>
<b>Recreation</b>	<b>-0.6</b>	<b>-3.2</b>	<b>-3.6</b>	<b>-0.6</b>
of which, holiday travel	-2.3	-5.9	-7.6	-2.1
<b>Education</b>	<b>5.0</b>	<b>0.0</b>	<b>5.1</b>	<b>0.0</b>
<b>Financial &amp; insurance services</b>	<b>0.6</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>
<b>CPI: All groups</b>	<b>0.7</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.4</b>

Sources: ABS, Westpac Banking Corporation

**“Extended rebates are being offset by expiring state rebates and higher electricity prices”**

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# Impact of cost of living assistance is fading



**Justin Smirk**  
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## Feb Monthly CPI: Full rebound in electricity prices delayed until 2026

The Monthly CPI Indicator gained 2.4% in the year to February, a touch softer than Westpac's and the market's estimate of 2.5%yr with falling Victorian electricity prices as household there received their third payment.

The CPI Indicator was flat on a month-on-month basis, on par with Westpac's published monthly near-cast of 0.0% suggesting the monthly CPI was broadly as expected. The Trimmed Mean estimate for February was 2.7%yr, a modest moderation from 2.8%yr in January.

Electricity prices fell -2.5% in February due to the timing of Commonwealth Energy Bill Relief Fund (EBRF) rebates in Victoria. However, there are some quirks around the timing of the rebates. In Victoria, the third instalment of the EBRF rebate began 13th January 2025, meaning some Victorian households who were billed in January did not receive a rebate payment, and instead will receive two rebate payments with their next bill in April.

The ABS noted that electricity prices fell -13.2% in the year to February. Excluding Commonwealth and State government rebates, electricity prices would have fallen -1.2% in the year to February. Since then the Commonwealth government has extended the EBRF for six months with households receiving two additional quarterly payment of \$75 this year. With the ABS estimating quarterly averaging of a monthly series the full rebound in electricity prices will be delayed until the first half of 2025.

## Impact on CPI reverses as rebates fade

As noted earlier, the timing of the energy rebates varies from city to city while the various state rebates further add to the volatility in electricity prices. Based on January and February Monthly CPI data, and pencilling in a 5% increase for the month of March, Westpac is expecting electricity prices to rise 14.5% in the March quarter. If there had been no Commonwealth or state government rebates we estimate that electricity prices would have increased just 0.3% in March quarter. It was the expiration of the Qld \$1,000 lump sum rebate, plus the mixed timing of the Commonwealth rebates, that drove the December quarter jump in electricity prices.

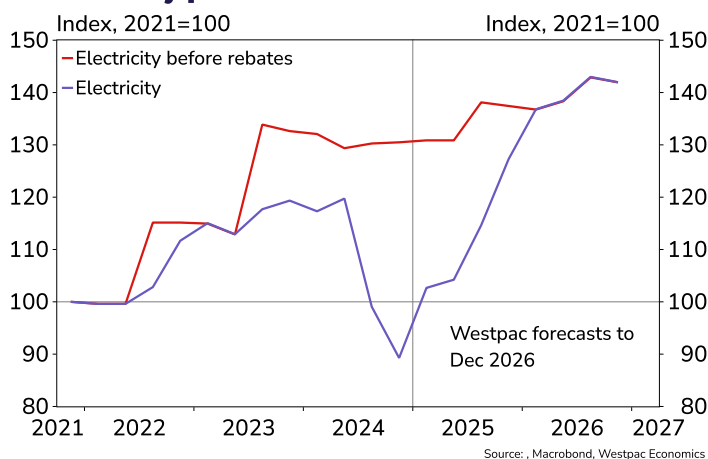
Chart 1 illustrates that rebates have delayed the impact of the increase in electricity prices in 2024 and will do so again in 2025, if to a lesser extent due to the Qld \$1,000 rebate not being repeated this year. As such, electricity prices are set to boost headline inflation through 2025 and into the first quarter of 2026.

## Breakdown of qtr CPI: Dec actual, Mar forecast

Item	Dec 2024		Mar 2025 fcs	
	% qtr	contrib	% qtr	contrib
<b>Food</b>	<b>0.2</b>	<b>0.04</b>	<b>1.1</b>	<b>0.19</b>
of which, Fruit & vegetables	-3.3	-0.07	2.0	0.04
<b>Alcohol &amp; tobacco</b>	<b>2.4</b>	<b>0.17</b>	<b>1.2</b>	<b>0.08</b>
of which, Tobacco	5.8	0.13	1.4	0.03
<b>Clothing &amp; footwear</b>	<b>0.1</b>	<b>0.00</b>	<b>-0.4</b>	<b>-0.01</b>
<b>Housing</b>	<b>-0.7</b>	<b>-0.16</b>	<b>1.8</b>	<b>0.39</b>
of which, Rents	0.6	0.04	1.2	0.08
of which, House purchases	-0.2	-0.02	-0.3	-0.02
of which, Utilities	-4.9	-0.19	8.1	0.30
<b>H/hold contents &amp; services</b>	<b>-0.2</b>	<b>-0.01</b>	<b>-1.1</b>	<b>-0.08</b>
<b>Health</b>	<b>-0.2</b>	<b>-0.01</b>	<b>2.5</b>	<b>0.17</b>
of which, Pharmaceuticals	-1.6	-0.02	5.7	0.05
<b>Transportation</b>	<b>-0.7</b>	<b>-0.08</b>	<b>1.1</b>	<b>0.13</b>
of which, Car prices	-0.2	-0.01	0.3	0.01
of which, Auto fuel	-2.0	-0.07	2.1	0.07
<b>Communication</b>	<b>0.5</b>	<b>0.01</b>	<b>0.1</b>	<b>0.00</b>
<b>Recreation</b>	<b>1.5</b>	<b>0.19</b>	<b>-2.4</b>	<b>-0.30</b>
of which, Audio visual & comp.	-0.1	0.00	-1.9	-0.04
of which, Holiday travel	3.1	0.18	-5.3	-0.33
<b>Education</b>	<b>0.0</b>	<b>0.00</b>	<b>5.0</b>	<b>0.24</b>
<b>Financial &amp; insurance services</b>	<b>0.8</b>	<b>0.05</b>	<b>0.6</b>	<b>0.03</b>
<b>CPI: All groups</b>	<b>0.2</b>	<b>-</b>	<b>0.7</b>	<b>-</b>
<b>CPI: All groups % year</b>	<b>2.4</b>	<b>-</b>	<b>2.2</b>	<b>-</b>

Sources: ABS, Westpac Banking Corporation

## 1. Electricity prices before & after rebates



Source: , Macrobond, Westpac Economics

## Known March quarterly prices

The quarterly price changes already known from the Monthly CPI Indicator are:

- Meals out & take away foods (0.6%)
- Garments for infants & children (−3.2%)
- Footwear (−3.6%)
- Accessories & clothing services (1.3%)
- Maintenance & repair of dwellings (0.5%)
- Furniture & furnishings (−4.6%)
- Household textiles (−3.4%)
- Household appliances, utensils & tools (−2.1%)
- Hairdressing & personal grooming services (0.5%)
- Other household services (0.1%)
- Maintenance & repair of motor vehicles (0.7%)
- Other services in respect of motor vehicles (0.7%)
- Audio, visual and computing media & services (0.4%)
- Equipment for sports, camping and open air rec. (−0.8%)
- Games, toys & hobbies (0.6%)
- Sports participation (1.3%)
- Other recreational, sporting & cultural services (0.8%)
- Education (5.0%)
- Insurance (0.5%)

## March update of quarterly prices

The components of the CPI that will get a quarterly update from the March Monthly CPI indicator, and so will appear as reported in the March quarter CPI, are: (Westpac estimates in brackets)

- Childcare (1.8%)
- Pharmaceutical products (5.7%)
- Therapeutic appliances & equipment (0.1%)
- Medical & hospital services (2.1%)
- Dental services (0.3%)
- Motor vehicles (0.2%)
- Books (2.9%)
- Newspapers, magazines & stationery (0.4%)
- Veterinary & other services for pets (0.2%)
- Other financial services (0.6%)

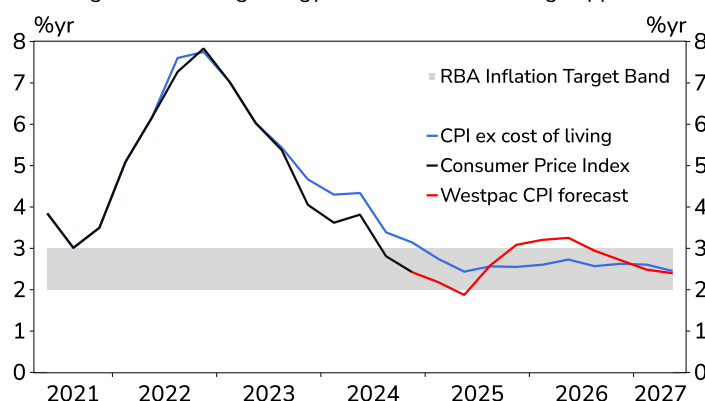
## Housing pressures have moderated

Rents gained an average of 0.7% per month through the first half of 2025 moderating to 0.3% per month through the second half due to the increase in the Commonwealth Rental Assistance. In the four months since the increase in the Commonwealth Rental Assistance, rents have an average increase of 0.4% per month. Westpac has pencilled in a 0.3% increase in March which will see rents increase by 1.2% in the March quarter. Rents will be included in the March quarter Trimmed Mean at 1.2% contributing 0.11ppt.

The heat has truly come out of the housing market in terms of final construction prices. Dwelling prices gained an average of 0.4% per month through the first half of 2025 before averaging monthly flat prints through the second half due

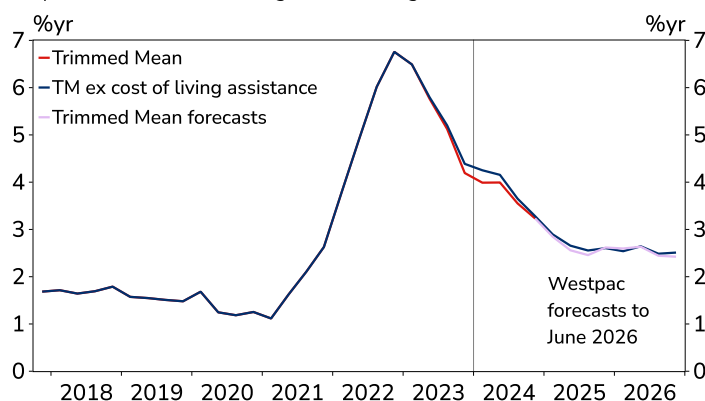
## 2. CPI Inflation

Including and excluding energy rebates & cost of living support



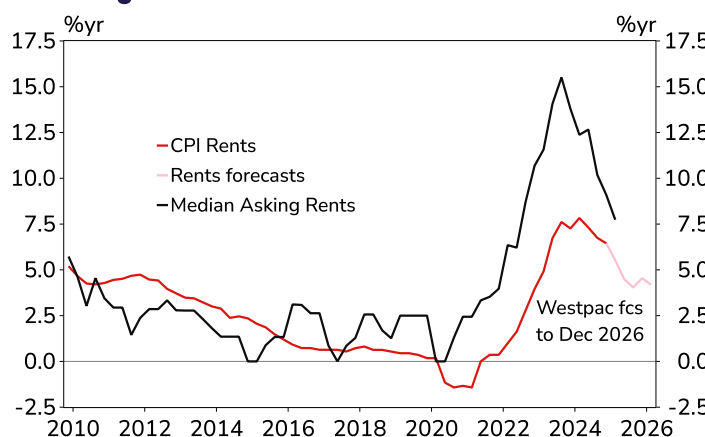
## 3. Core Inflation Unaffected

As published and excluding cost of living assistance



Source: ABS, Macrobond, Westpac Economics

## 4. Asking rents vs CPI rents



Source: ABS, CoreLogic Australia, Macrobond, Westpac Economics

mostly to a –0.6% fall in November. So far this year, dwelling prices have fallen –0.1% in both January and February. Westpac has pencilled in a modest 0.1% gain in March which will see dwelling prices fall –0.3% in the March quarter CPI. There is a clear risk that dwelling prices could fall again in March leading to a even larger fall in the March quarter.

The decline in dwelling prices is included in our estimate of the March quarter Trimmed Mean, but only just, as –0.5% is the lower bound for the March quarter Trimmed Mean. We estimate dwellings will contribute –0.03ppt to the March quarter Trimmed Mean.

## Upside risks to our forecasts

Our March quarter CPI estimate is 0.7%qtr/2.7%yr, the slowest pace of inflation since March 2021. Such a print will see the six month annualised pace lift to 2.3%yr, from 0.9%yr in December, which is still within the lower half of the RBA's target band.

At two decimal places our March quarter CPI estimate is 0.71% so is rounded down suggesting upside risks to this near-cast. Of note, the upside risk could come via the unknown quarterly estimates such as childcare (1.8%), pharmaceutical products (5.7%) and medical & hospital services (2.1%). However, we did not round up our estimate as there are possible downside risks from motor vehicles (0.2%), books (2.9%) and newspapers, magazines & stationery (0.4%) as well as food, clothing, household goods and textiles. Thus we decided to run with a 0.7% estimate and highlight to possible upside risks.

Our Trimmed Mean estimate for the March quarter is 0.6%qtr/2.8%yr which will see the six month annualised pace drop from 2.7%yr to 2.3%yr, from the upper half to the lower half of the RBA's target band. As noted below the cost of living assistance has not had a material impact on core inflation and as such, the Trimmed Mean remains a reliable measure of underlying inflation. However, our estimate is rounded down from 0.64% at two decimal places suggesting an upside risk to our estimate. The current RBA forecast to June 2025 is 2.7%yr which would be consistent with a 0.7% increase in the March and June quarters.

We estimate that the lower bound of trimmed mean is –0.45% and the upper bound is 1.74%.

## Cost-of-living assistance held down inflation

As noted in our previous economic bulletins – [Energy rebates have a meaningful impact on the CPI](#) – our analysis suggests that the energy rebates, plus other cost of living assistance, had a significant impact on the CPI but have had little impact on the trimmed mean. Our analysis includes the out-sized increase in rental assistance as well as the public transport subsidies. We find that the cost-of-living assistance trimmed –0.4ppt off the CPI in the September quarter and a further –0.3ppt off in the December quarter. All up, Westpac estimates that CPI inflation in the year to December 2024 would have been 3.1%yr rather than the 2.4%yr.

This affect will reverse in 2025 as the rebates are unwound boosting the December quarter 2025 estimate by 0.5ppt. If the cost of living assistance had not been provided we estimate a CPI would gain just 2.6% in the year to December 2025 compared to our current estimate of 3.1%r.

If there had not been the cost-of-living assistance CPI inflation would return to the RBA's target band in the March quarter of this year and remain around the mid point of the band out to mid 2027.

Due to trimming of the large moves in the components of the CPI, the impact on core inflation is much smaller and we estimate it to be worth less than –0.1ppt in the December quarter with a similar impact estimated for the March quarter. As shown in the table below, without the cost of living assistance core inflation would print 2.9% in the year to the March quarter compared to our near-cast of 2.8%yr.

## Impact of rebates on CPI inflation

	CPI	CPI	CPI	CPI
	ex rebates	ex rebates	with rebates	with rebates
	% qtr	% yr	% qtr	% yr
Dec-22	1.5	7.7	1.9	7.8
Mar-23	1.5	7.0	1.4	7.0
Jun-23	0.8	6.0	0.8	6.0
Sep-23	1.6	5.4	1.2	5.4
Dec-23	0.7	4.7	0.6	4.1
Mar-24	1.1	4.3	1.0	3.6
Jun-24	0.9	4.3	1.0	3.8
Sep-24	0.6	3.4	0.2	2.8
Dec-24	0.5	3.1	0.2	2.4
Mar-25 (f)	0.7	2.7	0.7	2.2
Jun-25 (f)	0.6	2.4	0.7	1.9

Sources: ABS, Westpac Banking Corporation

## Rebates have little impact on core inflation

	TM	TM	TM	TM
	ex rebates	ex rebates	with rebates	with rebates
	% qtr	% yr	% qtr	% yr
Dec-22	1.7	6.8	1.7	6.8
Mar-23	1.2	6.5	1.2	6.5
Jun-23	0.9	5.8	0.9	5.8
Sep-23	1.3	5.2	1.2	5.1
Dec-23	0.9	4.4	0.8	4.2
Mar-24	1.1	4.3	1.0	4.0
Jun-24	0.8	4.2	0.9	4.0
Sep-24	0.8	3.7	0.8	3.6
Dec-24	0.6	3.3	0.5	3.2
Mar-25 (f)	0.7	2.9	0.6	2.8
Jun-25 (f)	0.6	2.7	0.6	2.6

Sources: ABS, Westpac Banking Corporation



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