



28 July 2025

# JUNE QUARTER CPI PREVIEW

Unwinding of rebates hits the CPI but not the TM

## Key points

- The Westpac nearcast for the June quarter CPI is 0.9%, on par with the March quarter, which, with base effects, sees the annual pace moderate from 2.4%yr to 2.3%yr.
- The June quarter Trimmed Mean is estimated to rise 0.7% with the annual pace dropping from 2.9%yr to 2.7%yr.
- The RBA is forecasting a Trimmed Mean annual pace of 2.6%yr for the June quarter which implies a 0.55% increase in the quarter.
- Our Trimmed Mean forecast, at two decimal places, is 0.66% which suggests there is greater risk of a 0.6% print than a 0.8% print.
- Rents (1.0%qtr), electricity (9.3%qtr), garments (3.7%qtr), fruit & vegetables (3.1%qtr) and holiday travel (2.8%qtr) are expected to boost the June quarter result.
- The June Monthly CPI Indicator nearcast is 0.7% in the month and 2.3% in the year.

## Breakdown: June Quarter CPI & Monthly CPI

	Jun f/c	Apr	May	Jun f/c
	Qtr	Mth	Mth	Mth
Item	% qtr	% mth	% mth	% mth
<b>Food</b>	<b>0.8</b>	<b>0.3</b>	<b>0.3</b>	<b>0.0</b>
of which, bread & cereals	-0.6	-0.4	-0.5	0.3
of which, meat & seafood	0.1	-0.6	0.9	0.0
of which, dairy & related prod.	0.2	0.1	-0.4	0.3
of which, fruit & vegetables	3.1	2.5	-0.8	-1.0
of which, food products nec	0.5	1.0	-0.3	-0.2
of which, non-alcohol bev.	2.3	-0.6	2.1	0.7
<b>Alcohol &amp; tobacco</b>	<b>0.8</b>	<b>-0.4</b>	<b>0.5</b>	<b>-0.3</b>
of which, alcohol	0.0	-1.0	0.8	-0.5
of which, tobacco	2.2	1.1	-0.2	0.2
<b>Clothing &amp; footwear</b>	<b>2.6</b>	<b>4.2</b>	<b>-1.0</b>	<b>-0.8</b>
of which, garments	3.7	6.0	-1.6	-1.3
<b>Housing</b>	<b>1.4</b>	<b>0.5</b>	<b>0.2</b>	<b>0.6</b>
of which, rents	1.0	0.3	0.3	0.3
of which, house purchases	0.4	0.5	0.0	0.2
of which, electricity	9.3	1.5	2.0	3.5
of which, gas & other fuels	-1.4	-0.6	-2.4	2.6
<b>H/hold contents &amp; services</b>	<b>1.1</b>	<b>1.0</b>	<b>-0.1</b>	<b>0.0</b>
<b>Health</b>	<b>2.2</b>	<b>2.4</b>	<b>0.0</b>	<b>-0.1</b>
<b>Transportation</b>	<b>-1.0</b>	<b>-0.7</b>	<b>-0.5</b>	<b>0.5</b>
of which, auto fuel	-3.8	-2.6	-2.9	2.4
<b>Communication</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.2</b>	<b>-0.5</b>
<b>Recreation</b>	<b>1.5</b>	<b>3.0</b>	<b>-3.4</b>	<b>4.3</b>
of which, holiday travel	2.8	6.0	-7.0	8.5
<b>Education</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Financial &amp; insurance services</b>	<b>0.6</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.6</b>
<b>CPI: All groups</b>	<b>0.9</b>	<b>0.8</b>	<b>-0.4</b>	<b>0.7</b>

Sources: ABS, Westpac Banking Corporation

**“unwinding cost of living assistance  
is boosting headline inflation”**

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# Housing costs are key to core inflation



**Justin Smirk**  
Senior Economist

## A soft May led to a downward revisions

The Monthly CPI Indicator gained 2.1% in the year to May, softer than Westpac's and the market's median estimate of 2.3%yr – the range of forecasts was 2.1%yr to 2.5%yr.

In the month, the CPI Indicator fell –0.4%, a larger fall than Westpac's published near-cast of –0.2% on the back of flat dwellings, a smaller than expected rise in electricity and a larger than expected fall in holiday travel & accommodation. Our more detailed analysis for the Monthly Indicator led to us revising down our June quarter inflation estimates. Our CPI nearcast was revised down from 1.0%qtr to 0.9%qtr while our Trimmed Mean estimate was revised down from 0.8%qtr to 0.7%qtr. For more information on the May Monthly CPI Indicator please see "[May Monthly CPI Indicator](#)".

For the June Monthly CPI Indicator our nearcast is 0.7mth/ 2.3%yr, a jump up from the 2.1%yr pace in May. The key factors driving the stronger bounce in the month are a 3.5% increase in electricity as the rebates wind down, a 2.4% jump in auto fuel and a 8.5% surge in holiday travel costs.

June is the last month in the quarter so we get price updates on the following quarterly surveyed goods and services:

- childcare (1.5%qtr),
- pharmaceutical products (1.5%qtr),
- therapeutic appliances (0.7%qtr)
- dental services (0.9%qtr),
- motor vehicles (–0.5%qtr),
- books (0.5%qtr),
- newspapers, magazines & stationary (0.3%qtr),
- veterinary and other services for pets (2.0%qtr), and
- other financial services (0.8%qtr).

## Housing still the main upside risk for the CPI

Westpac is forecasting a 0.9% rise in June quarter CPI, on par with the March quarter, which with bases effects, sees the annual pace moderate from 2.4%yr to 2.3%yr.

Helping to hold the quarterly pace just under 1%qtr we expect to see sold gains for rents (1.0%qtr), electricity (9.3%qtr), garments (3.7%), fruit & vegetables (3.1%) and holiday travel (2.8%qtr). Off setting these gains

Of the nearcast 0.9% rise in the June quarter CPI, 0.30ppt of the gain comes from housing which we estimate will rise 1.4%qtr. The unwinding of the cost of living electricity rebates is expected to drive the lion's share of the increase with utilities gaining 4.8%qtr contributing 0.2ppt. Meanwhile,

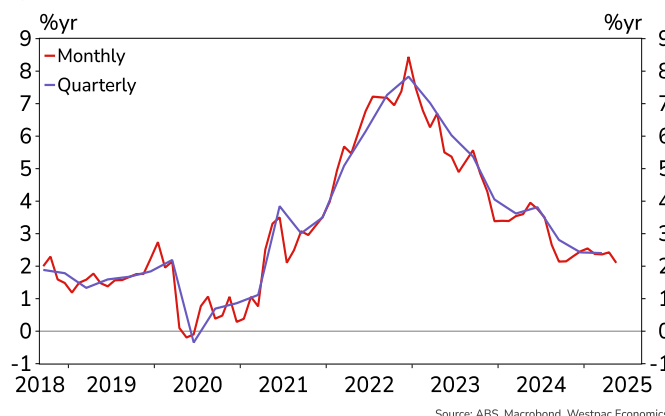
## Westpac Inflation forecasts

		Jun-25	Sep-25	Dec-25	Mar-26
CPI	Index	142.0	143.3	144.1	145.0
	(%qtr)	0.9	0.9	0.6	0.6
	(%yr)	2.3	3.0	3.4	3.1
Trimmed mean	(%qtr)	0.7	0.7	0.6	0.5
	(%yr)	2.7	2.6	2.6	2.5
	(6mth ann'd)	2.7	2.8	2.6	2.2

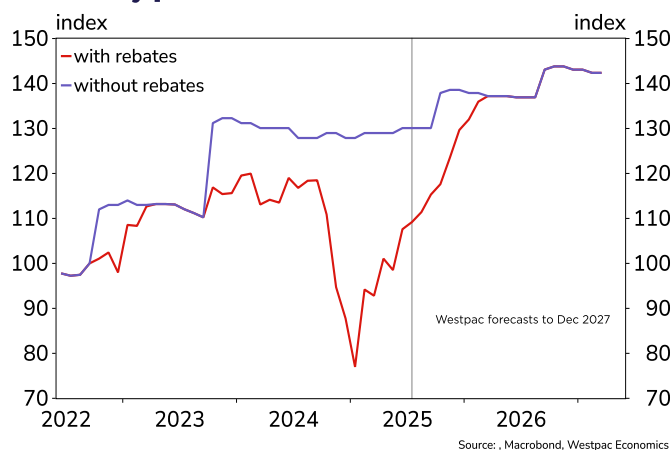
Source: ABS, Westpac Economics.

## Consumer Price Index

Quarterly CPI vs. Monthly CPI Indicator



## Electricity prices before and after rebates



rents are anticipated to still make a solid 1.0%qtr/0.07ppt contribution and dwellings are set to rise 0.4%qtr/0.03ppt after falling -0.4%qtr in the March quarter.

## Transport: auto fuel continues to fall

Westpac's nowcast for the month of June includes a 2.4% increase in auto fuel, which when added to the -2.9% decline in May and a -0.6% decline in April, will see a quarterly average decline of -3.8%. We are expecting auto fuel to continue to be a drag on the CPI through to the end of 2025. We also see significant uncertainty around our -0.5% fall in motor vehicle prices. Competition is certainly heating up with the entry of a significant number of Chinese brands into the Australian market while motor vehicle sales remain underwhelming. There is also the complexity of hedonic pricing when there is the introduction of a significant number of new goods and thus consumer substitution between goods. This can create a degree of uncertainty on the final price the ABS will estimate.

## Seasonal rise in clothing & footwear

We have monthly data for male and female garments we are still waiting for the month of June update. But we do have all the other quarterly estimates for clothing & footwear. Adding in our month of June estimate for garments of -1.3%, our June quarter estimate for clothing & footwear is 2.6% due to a very robust 6.0% increase in garments in April. A bigger fall in garments prices in June is a clear downside risk for us.

## Trimmed Mean will not be enough to stop the RBA from cutting interest rates

Westpac's June quarter Trimmed Mean nearcast is 0.7%qtr with the annual pace dropping from 2.9%yr to 2.7%yr. The RBA is forecasting a Trimmed Mean annual pace of 2.6%yr which suggests a June quarter increase of 0.55% which we don't see as enough to prevent the RBA from cutting rates at its August meeting.

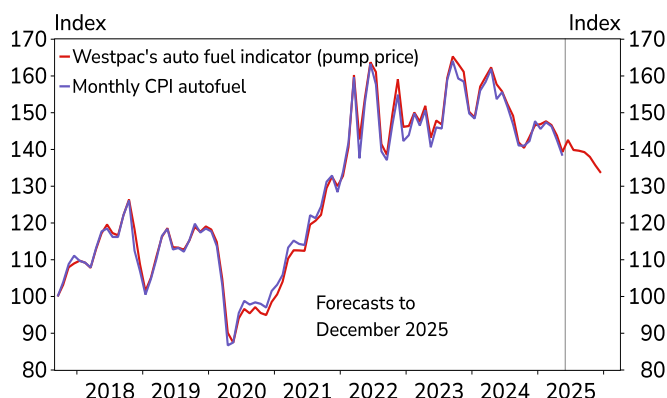
We also think the risk to our Trimmed Mean estimate lies to the downside. At two decimal places, our Trimmed Mean estimate is 0.66% which suggests there is greater risk of a 0.6% print than a 0.8% print.

Remembering that the data for the Trimmed Mean is seasonally adjusted, the range of trimming in the June quarter starts from a lower bound of -0.34% to an upper bound of 2.16%. Of the most significant items trimmed off the bottom are: auto fuel (-3.8%), furniture (-1.2%), insurance (-0.7%) and international holidays (-0.3%). The most significant items trimmed off the top are medical & hospital services (2.2%), tobacco (2.8%), domestic holidays (3.1%) and, naturally, electricity (9.9%).

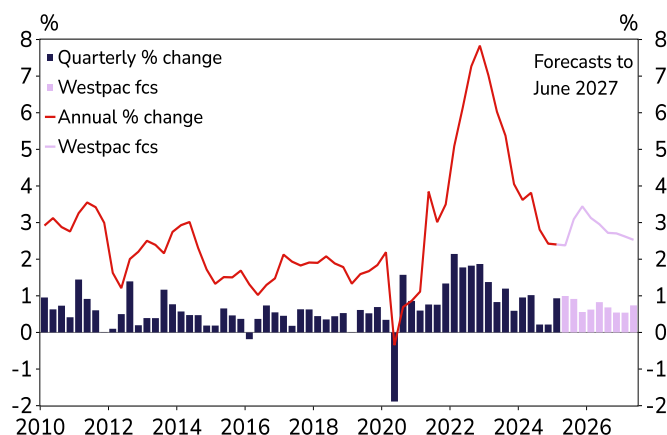
Outside of electricity, housing costs remain in this measure of core inflation and as such represent a potential small upside risk for our nearcast of Trimmed Mean.

## Auto fuel prices

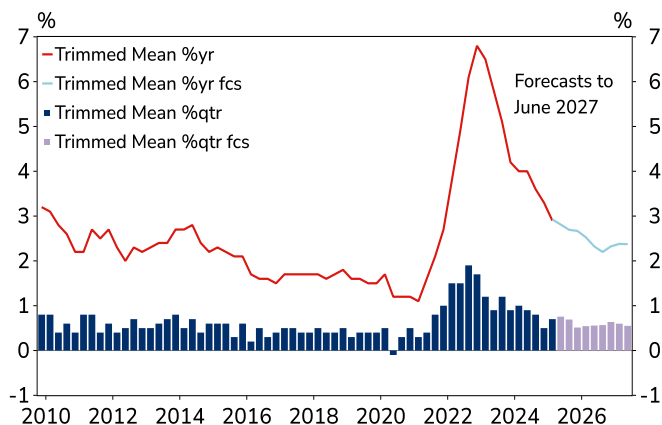
Pump price average for unleaded and diesel



## Headline CPI Inflation



## Trimmed Mean Inflation



Source: ABS, Macrobond, Westpac Economics



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