



7 August 2025

MONTHLY CPI INDICATOR JULY PREVIEW

Electricity prices should provide a solid bump up ...

Key points

- Westpac expects the Monthly CPI Indicator to rise by 0.5% in July. Due to base effects, this would see the annual pace lift from 1.9% to 2.3%.
- The out sized increase in July is largely driven by the unwinding of cost-of-living electricity rebates. We've pencilled in a 6% rise in electricity prices, though there remains considerable uncertainty around this estimate
- As the first month of the September quarter, July provides an update on quarterly price surveys that primarily cover durable goods. Services tend to be more of a focus in the second and third months of each quarter.
- In addition, reported pump prices suggest a further increase in automotive fuel prices during July.

Breakdown: Monthly CPI

	Apr	May	Jun	Jul fc
	Mth	Mth	Mth	Mth
Item	% mth	% mth	% mth	% mth
Food	0.5	0.3	0.3	0.1
of which, bread & cereals	0.4	-0.5	-0.1	0.5
of which, meat & seafood	0.2	0.9	-0.3	0.9
of which, dairy & related prod.	0.9	-0.4	0.1	0.1
of which, fruit & vegetables	-0.2	-0.8	2.3	-0.2
of which, food products nec	0.5	-0.3	0.1	0.0
of which, non-alcohol bev.	0.3	2.1	0.4	0.0
Alcohol & tobacco	0.3	0.5	-0.2	0.1
of which, alcohol	0.4	0.8	-0.2	0.2
of which, tobacco	0.1	-0.2	-0.3	0.1
Clothing & footwear	-0.4	-1.0	-0.9	0.7
of which, garments	-0.7	-1.6	-1.6	1.1
Housing	1.7	0.2	0.2	1.0
of which, rents	0.6	0.3	0.3	0.3
of which, house purchases	-0.6	0.0	0.2	0.2
of which, electricity	22.4	2.0	-0.4	6.0
of which, gas & other fuels	3.2	-2.4	0.5	4.1
H/hold contents & services	0.3	-0.1	0.0	0.5
Health	0.0	0.0	-0.9	0.0
Transportation	0.3	-0.5	0.9	0.5
of which, auto fuel	0.9	-2.9	3.5	1.1
Communication	0.7	-0.2	-0.9	0.8
Recreation	-0.1	-3.4	1.3	0.5
of which, holiday travel	-1.3	-7.0	2.4	1.0
Education	0.0	0.0	0.0	0.0
Financial & insurance services	0.2	-0.2	0.5	0.0
CPI: All groups	0.5	-0.4	0.2	0.5

Sources: ABS, Westpac Banking Corporation

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... but there is significant uncertainty on the size



Justin Smirk
Senior Economist

Electricity surprised to the downside in June

The Monthly CPI Indicator gained 0.2%_{mth}/1.9%_{yr} in June, softer than market consensus and Westpac's expectation. The big surprise was a -0.4% fall in electricity prices: we had been looking for a 3.5% increase.

Importantly, this decline was not driven by the cost of living rebates expiring. According to the ABS, the fall reflected retailers in some capital cities reducing supply and usage charges or increasing discounts on market offer plans. ABS data also showed that energy bills before rebates fell by -0.8%, suggesting the impact from the unwinding of rebates was smaller than anticipated.

Looking ahead to July, we expect a further reversal of the electricity rebates and have pencilled in a 6% increase. However, there is considerable uncertainty around this estimate. Our analysis suggests the national average increase in Default Market Offers (DMO)—the base price for households without a retailer contract—was around 6% in July, implying meaningful upside risk to our electricity forecast.

Other housing costs continue current momentum

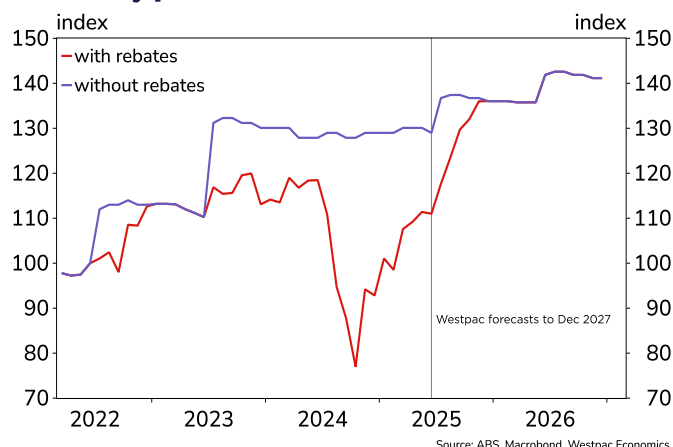
Westpac is expecting rents and dwelling prices to continue on to their current trend. For rents that is 0.3%_{mth} while for dwellings it is 0.2%_{mth}. Recent monthly movements have been volatile: with rents rising 0.6%_{mth} in April then 0.3%_{mth} in May and June. Dwellings fell -0.6% in April, were flat in May to then rose 0.2% in June.

Quarterly surveys focus on goods not services

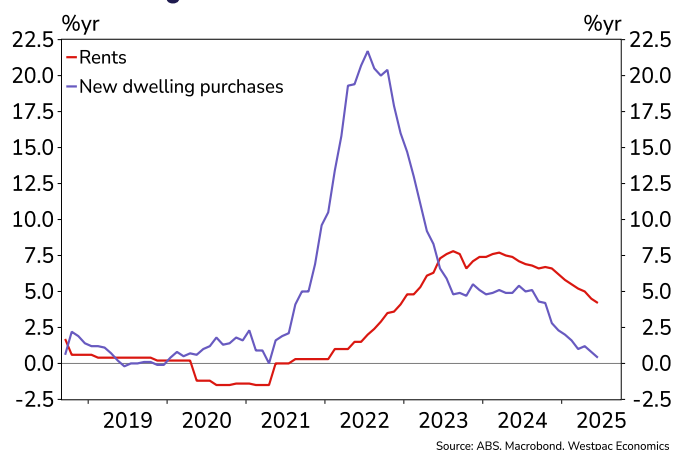
As July marks the first month of the third quarter it will provide an update on the following quarterly price surveys which predominately cover durable goods. Services are more the focus in the second and third months of each quarter. As the following prices are survey only once a quarter they will feed directly into our September quarterly estimate. In July we will get an update on:

- Garments for infants & children: (0.0% fcs),
- Footwear for men: (-2.2% fcs),
- Footwear for women: (-2.7% fcs)
- Footwear for infants & children: (0.8% fcs),
- Clothing accessories: (1.4% fcs)
- Cleaning, repair & hire of clothing: (1.0% fcs)
- Maintenance & repair of dwellings: (0.6% fcs)
- Furniture: (3.0% fcs)
- Carpets & floor coverings: (0.5% fcs)

Electricity prices before and after rebates



New dwellings and rents



- Household textiles: (flat fcs)
- Major household appliances: (-0.3% fcs)
- Small electrical appliances: (0.6% fcs)
- Glassware, tableware & utensils: (1.5%)
- Tools & equipment: (0.3% fcs)

Auto fuel set to a July bump

Pump price data points to auto fuel lifting 1.1% in July following a 3.5% increase in June. However, this upward momentum is expected to be short lived with pump prices dipping through August and the fall in crude oil prices, plus a stronger Australian dollar, suggests auto fuel prices may decline all the way into early 2026.

Holiday travel set to boost July print

Holiday travel lifted 2.4% in June, rebounding from a -7% decline in May and a -1.3% decline in April. Westpac is estimating a 1.0% increase in July supported by domestic airfare. There is, however, a lot of uncertainty around international holiday travel & accommodation so this is a very tentative estimate for total holiday travel & accommodation.

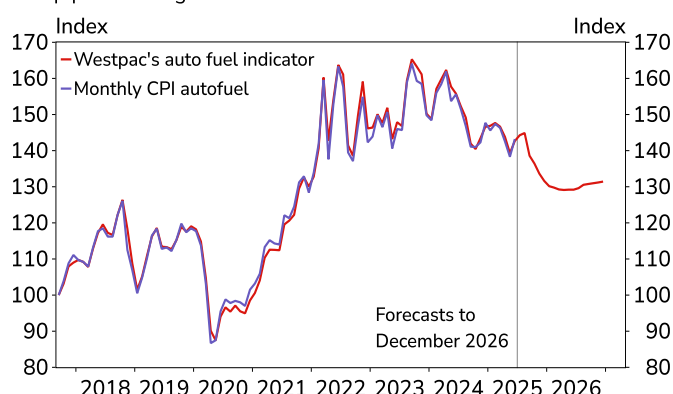
July is expected to rise 0.5%

Overall, Westpac is estimating the July Monthly CPI indicator to rise 0.5% which is set to lift the annual pace lift from 1.9% to 2.3%. July is typically a seasonally firm month, with our seasonally adjusted estimate showing a 0.4% monthly gain.

As noted above, electricity prices pose a meaningful upside risk to our forecast. However, uncertainties—including how rising beef and lamb prices will pass through to retail prices—means we are maintaining our current estimate.

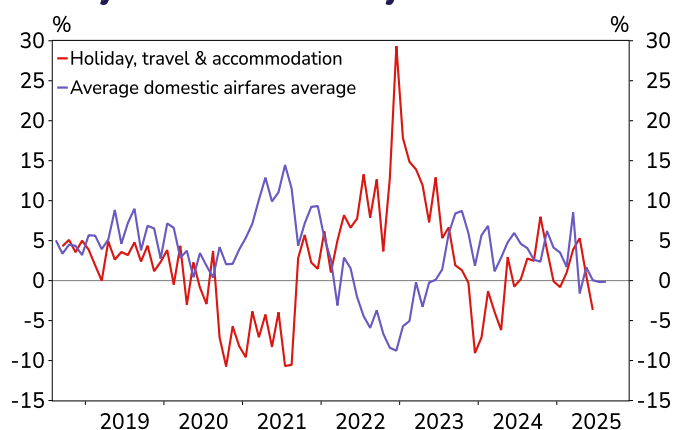
Auto fuel prices

Pump price average for unleaded and diesel



Source: ABS, Macrobond, Westpac Economics

Monthly CPI - Domestic holiday accommodation



Source: ABS, BITRE, Macrobond, Westpac Economics



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