19 September 2025

MONTHLY CPI INDICATOR AUGUST PREVIEW

Electricity rebates remain a key uncertainty …

Key points

- The July Monthly CPI Indicator surprised to the upside rising 2.8%yr, above Westpac's near-cast (2.3%yr) and market expectations (2.7%yr). The monthly increase of 0.9% was driven by electricity, new dwellings, and holiday travel.
- Electricity prices surged 13% in July due to timing of rebates and annual price reviews. NSW and ACT households faced higher costs in July and this will be reversed in August when the rebates are applied.
- New dwelling prices rose 0.4% in July as builders reduced discounts and lifting prices. Our August estimate is 0.2% but margin rebuilding poses an upside risk to this estimate.
- Westpac's August Monthly CPI estimate is 0.1% with the annual rate expected to lift from 2.8%yr to 3.1%yr due to base effects. There is a high degree of uncertainty, but the recovery in homebuilders' margins is a notable upside risk.

Breakdown: Monthly CPI

	May	Jun	Jul	Aug fcs
	Mth	Mth	Mth	Mth
Item	% mth	% mth	% mth	% mth
Food	**0.5**	**0.3**	**0.1**	**0.4**
of which, bread & cereals	0.4	–0.1	0.7	–0.1
of which, meat & seafood	0.2	–0.3	0.1	0.4
of which, dairy & related prod.	0.9	0.1	–0.1	0.5
of which, fruit & vegetables	–0.2	2.3	0.7	0.4
of which, food products nec	0.5	0.1	0.4	0.0
of which, non–alcohol bev.	0.3	0.4	0.1	0.1
Alcohol & tobacco	**0.3**	**–0.2**	**1.1**	**0.2**
of which, alcohol	0.4	–0.2	1.0	0.4
of which, tobacco	0.1	–0.3	1.3	–0.1
Clothing & footwear	**–0.4**	**–0.9**	**1.7**	**–0.7**
of which, garments	–0.7	–1.6	1.3	–1.1
Housing	**1.7**	**0.2**	**1.9**	**0.5**
of which, rents	0.6	0.3	0.3	0.3
of which, house purchases	–0.6	0.2	0.4	0.2
of which, electricity	22.4	–0.4	13.0	3.0
of which, gas & other fuels	3.2	0.5	6.2	0.9
H/hold contents & services	**0.3**	**0.0**	**0.4**	**0.1**
Health	**0.0**	**–0.9**	**0.0**	**0.0**
Transportation	**0.3**	**0.9**	**0.1**	**0.3**
of which, auto fuel	0.9	3.5	0.0	0.0
Communication	**0.7**	**–0.9**	**1.6**	**–0.5**
Recreation	**–0.1**	**1.3**	**2.2**	**–1.3**
of which, holiday travel	–1.3	2.4	4.7	–3.2
Education	**0.0**	**0.0**	**0.0**	**0.0**
Financial & insurance services	**0.2**	**0.5**	**0.0**	**–0.1**
CPI: All groups	***0.5***	***0.2***	***0.9***	***0.1***

Sources: ABS, Westpac Banking Corporation

... while builders' margin recovery could continue

Justin Smirk
Senior Economist

July CPI surprised to the upside

The Monthly CPI Indicator rose by 2.8% in the year to July, exceeding both Westpac's near-cast of 2.3%yr and the top of the market expectation of 2.7%yr. On a monthly basis, the CPI increased 0.9%, well above our near-cast of 0.5%. While the sharp rise in electricity prices played a significant role, attributing the entire surprise to this one factor risks overlooking a potentially important shift in inflation dynamics.

Electricity a key risk in August

Electricity prices surged 13% in July, driven by the timing of extended State Government and Commonwealth Energy Bill Relief Fund (EBRF) rebates in some capital cities, alongside annual price reviews. The EBRF rebates were extended for six months (July–December 2025), but households in NSW and the ACT did not receive the extended Commonwealth rebates in July – these will commence in August. Consequently, these households faced higher out-of-pocket electricity costs in July, which should reverse in August.

We expect the application of rebates in NSW and ACT to offset some of the ongoing price increases elsewhere, and have pencilled in a 3% rise in electricity prices for August, though we note a high degree of uncertainty around this estimate.

Will dwelling inflation settle back to trend?

New dwelling prices rose 0.4% in July, stronger than our 0.2% near-cast. The ABS cited price increases from project home builders, who are reducing discounts and promotional offers. Rents rose 0.3%, in line with expectations.

For August, we expect new dwelling prices to revert to their recent trend of 0.2% monthly growth, though there is upside risk if builders continue to rebuild margins. Rent growth is expected to remain steady at 0.3%.

Seasonal fall in holiday travel & accommodation

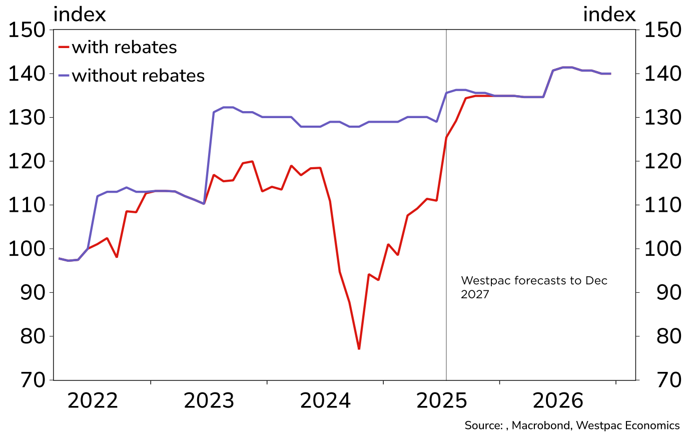
Recreation was stronger than expected in July, with holiday travel up 4.7% vs. our 1.0% estimate. This was led by a 7.9% increase in domestic travel & accommodation, while international travel rose a more modest 1.5%.

We anticipate a seasonal partial reversal in August, with holiday travel & accommodation forecast to fall –3.2%.

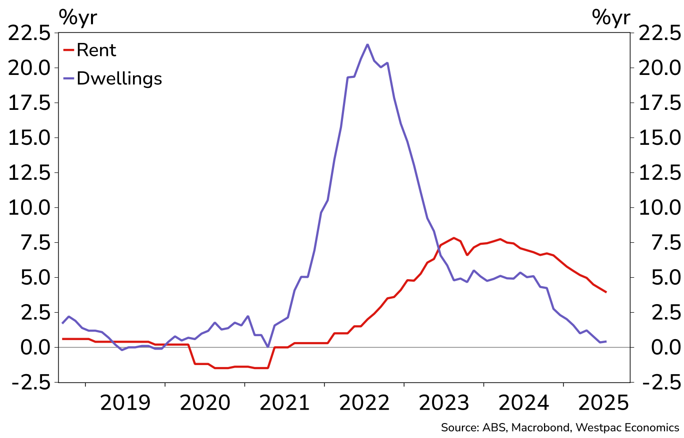
Quarterly update on services prices

The August CPI Indicator will include updated estimates for a range of services surveyed only in the second month of each quarter. Our current September quarter CPI forecast incorporates the following estimates:

Electricity prices before and after rebates



Housing inflation - rents & dwellings



- restaurant meals, 0.7% fcs
- take away & fast foods, 0.9% fcs
- hairdressing & grooming, 1.1% fcs
- other household services, 0.9% fcs
- spare parts & accessories for motor vehicles, 0.9% fcs
- maintenance & repairs of motor vehicles, 0.9% fcs
- other motor vehicle services, 1.0% fcs
- audio, visual, media & services, 1.2% fcs
- equipment for sports, camping and recreation, –0.5% fcs
- games, toys & hobbies, 0.2% fcs
- sports participation, 1.0% fcs
- other recreational sporting & cultural services, 1.5% fcs
- insurance, –0.2% fcs

Insurance surprised with a –0.5% fall in the June quarter, following rises of 1.1% in December and 0.6% in March. While our leading indicators had flagged this possibility, we initially dismissed it due to conflicting anecdotal evidence. We now acknowledge the potential for a further decline in the September quarter which will appear in the August Monthly CPI Indicator.

Pump prices pointing to a small decline in fuel

Auto fuel prices were relatively stable in August. Pump price surveys suggest that petrol softened slightly, while diesel remained steady. We expect a modest –0.2% decline in auto fuel prices for the month.

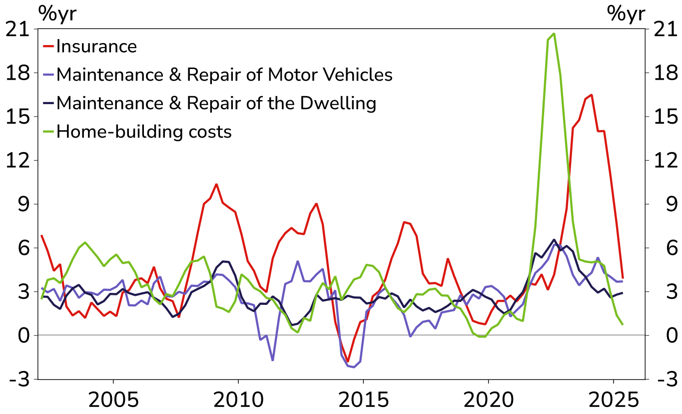
Clothing & footwear have a seasonal fall

August typically sees seasonal discounting in clothing and footwear, particularly in female garments. We estimate a –0.7% decline in garment prices for the month.

August CPI to rise 0.1%

Westpac's near-cast for the August Monthly CPI Indicator is a 0.1% monthly rise, which due to base effects, would lift the annual rate from 2.8% to 3.1%. As always, there is a high degree of uncertainty around monthly estimates and so it is difficult to clearly define where the risks lie. However, ongoing margin rebuilding by project home builders remains a clear upside risk.

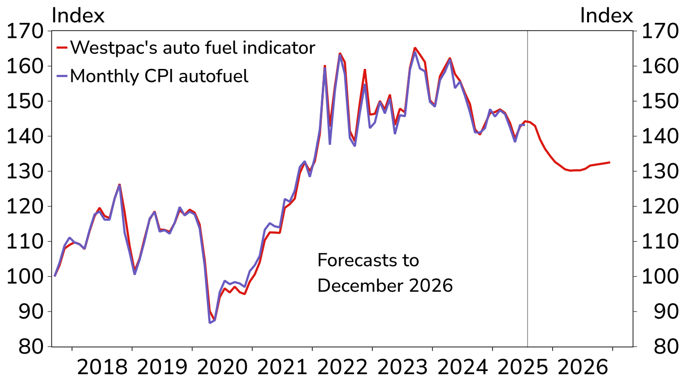
Insurance inflation and its drivers



Source: ABS, Macrobond, Westpac Economics

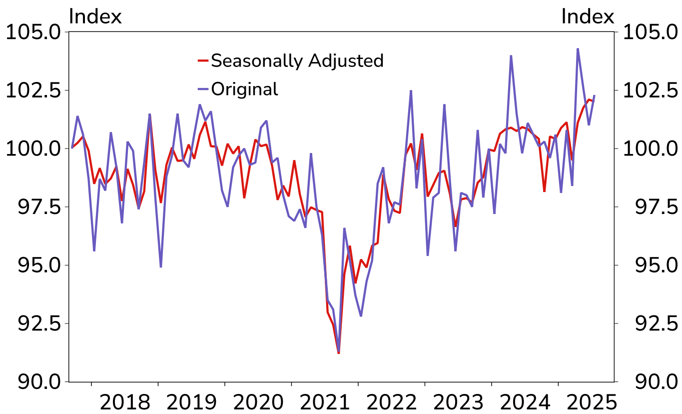
Auto fuel prices

Pump price average for unleaded and diesel



Source: ABS, Macrobond, Westpac Economics

Monthly CPI Garments Index



Source: ABS, Macrobond, Westpac Economics

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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