



24 October 2025

INFLATION UPDATE

SEPT QTR SETS THE TONE

RBA will be closely watching the Trimmed Mean

Key points

- August CPI was below expectations but broadly aligned with our view. Electricity prices fell sharply, but gains elsewhere kept our September quarter CPI estimate at 1.1%qtr.
- Given the Monthly Indicator's limitations, we're waiting for the September quarter CPI before revising the profile.
- Our nearcast for the September Monthly CPI Indicator is 0.2%_{mt}/3.1%_{yr}.
- The Trimmed Mean is based on seasonally adjusted contributions. For September, trimming bounds are -0.3% to 1.9%, with rents and dwelling prices at 0.9%_{qtr} and 1.0%_{qtr} respectively.
- Our Trimmed Mean estimate is 0.846%, with upside risk from dwelling prices.
- The RBA likely expects 0.6%_{qtr} for the next two quarters to reach 2.6%_{yr} at end 2025. We still see Trimmed Mean inflation dipping into the lower half of the RBA's target band in 2026.

Breakdown of September quarter forecast

Item	June qtr		Sept qtr fcs	
	% qtr	contrib	% qtr	contrib
Food	1.0	0.17	0.7	0.12
of which, Fruit & vegetables	4.3	0.09	-1.1	-0.02
Alcohol & tobacco	0.7	0.04	1.6	0.10
of which, Tobacco	2.0	0.04	2.3	0.04
Clothing & footwear	2.6	0.09	0.7	0.02
Housing	1.2	0.26	2.5	0.54
of which, Rents	1.0	0.06	1.0	0.07
of which, House purchases	0.4	0.03	0.9	0.07
of which, Utilities	3.9	0.16	7.7	0.34
H/hold contents & services	1.1	0.09	0.6	0.04
Health	1.5	0.10	-0.7	-0.05
of which, Pharmaceuticals	-2.0	-0.02	-1.9	-0.02
Transportation	-0.7	-0.08	0.9	0.11
of which, Car prices	-0.2	-0.01	-0.7	-0.02
of which, Auto fuel	-3.4	-0.11	2.1	0.07
Communication	0.1	0.00	1.4	0.03
Recreation	0.5	0.06	1.1	0.13
of which, Audio visual & comp.	1.9	0.04	2.2	0.04
of which, Holiday travel	0.3	0.02	2.1	0.13
Education	0.0	0.00	0.0	0.00
Financial & insurance services	0.5	0.03	1.0	0.06
CPI: All groups	0.7	-	1.1	-
CPI: All groups % year	2.1	-	3.0	-

Sources: ABS, Westpac Banking Corporation

Westpac Inflation forecasts

		Sep-25	Dec-25	Mar-26	Jun-26
CPI	Index	143.3	143.6	144.6	145.8
	(%qtr)	1.1	0.2	0.7	0.8
	(%yr)	3.0	3.0	2.8	2.9
Trimmed mean	(%qtr)	0.8	0.5	0.6	0.5
	(%yr)	2.7	2.6	2.5	2.4
	(6mth ann'd)	2.9	2.6	2.1	2.3

Source: ABS, Westpac Economics.

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Dwellings present a risk to core inflation.



Justin Smirk
Senior Economist

August CPI was below our expectations

The Monthly CPI Indicator rose by 3.0% over the year to August, slightly below Westpac's forecast of 3.1% and just above the market's median estimate of 2.9%.

The August Trimmed Mean, which is only reported as an annual rate, eased to 2.6%yr from 2.7%yr in July and 3.4%yr a year earlier. We note that the Reserve Bank of Australia continues to focus on the quarterly Trimmed Mean, viewing the monthly version as less reliable hence the focus on the September quarter CPI.

For a deeper dive into the August Monthly CPI data, please refer to our earlier update "[August Monthly CPI Indicator](#)" and the Inflation Update "[September Quarter CPI Preview](#)"

One month is not a trend

The August monthly data suggests a strong quarterly outcome. However, the 25bp cut after the full June quarter results reinforcing that it does not view the Monthly CPI Indicator as a reliable inflation measure and it will not be swayed by markets. Indeed, following confusion over President Trump's Liberation Day tariffs and a softer-than-expected May Monthly CPI Indicator, markets began pricing in a July rate cut before seeing the full June quarter CPI. Some even speculated a 50bps cut.

As Luci Ellis noted in her note "[RBA to remain on hold in September, further cuts still likely afterwards](#)" some August price rises, like clothing and footwear, are likely to reverse due to typical volatility. Services inflation was slightly above expectations, but details were mixed. The rise in meal prices aligns with hospitality sector recovery, suggesting margin rebuilding rather than persistent inflation. If food costs drove the increase, the outlook remains subdued given food price volatility.

Abroad, inflationary pressures remain limited. China continues to exert downward pressure on global tradeable goods prices. While geopolitical developments, such as Ukraine's attacks on Russian oil infrastructure and the recent US sanctions on Russian oil producers could lift global energy prices for a time, we expect that a sustained uptrend is unlikely.

Take care converting monthly to quarterly

The Monthly CPI Indicator is so named as it is not a full monthly CPI, but rather the release of the partials of the quarterly survey as they become available, with some components only surveyed once a quarter, or even annually. This means you can't simply average three monthly outcomes

Breakdown Monthly CPI Indicator

	Jun	Jul	Aug	Sep f/c
	Mth	Mth	Mth	Mth
Item	% mth	% mth	% mth	% mth
Food	0.5	0.1	0.4	-0.6
of which, bread & cereals	0.4	0.7	0.1	0.0
of which, meat & seafood	0.2	0.1	1.1	-0.1
of which, dairy & related prod.	0.9	-0.1	1.1	-0.5
of which, fruit & vegetables	-0.2	0.7	-2.9	-3.1
of which, food products nec	0.5	0.4	0.4	-0.4
of which, non-alcohol bev.	0.3	0.1	-0.8	-1.3
Alcohol & tobacco	0.3	1.1	0.2	0.6
of which, alcohol	0.4	1.0	0.2	-0.6
of which, tobacco	0.1	1.3	0.1	3.5
Clothing & footwear	-0.4	1.7	0.3	-1.1
of which, garments	-0.7	1.3	0.4	-1.9
Housing	1.7	1.9	-0.5	1.0
of which, rents	0.6	0.3	0.3	0.3
of which, house purchases	-0.6	0.4	0.4	0.3
of which, electricity	22.4	13.5	-6.3	4.0
of which, gas & other fuels	3.2	6.2	0.2	0.0
H/hold contents & services	0.3	0.4	0.3	-0.1
Health	0.0	0.0	0.0	-0.2
Transportation	0.3	0.1	0.5	0.1
of which, auto fuel	0.9	0.0	0.8	0.9
Communication	0.7	1.6	0.7	0.0
Recreation	-0.1	2.2	-1.4	1.2
of which, holiday travel	-1.3	4.7	-3.5	2.6
Education	0.0	0.0	0.1	0.0
Financial & insurance services	0.2	0.0	0.4	0.5
CPI: All groups	0.5	0.9	-0.1	0.2

"...will dwellings boost core inflation above expectations..."

to derive a reliable quarterly result. Instead, you need to judiciously apply surveyed prices for the whole quarter.

In the month of September, the prices that are surveyed in the month that are applied for the whole of the September quarter are:

- property rates & charges 3.9% fcs
- water & sewerage 2.1% fcs
- childcare 1.0% fcs
- pharmaceuticals -1.9% fcs
- therapeutic appliances 0.5% fcs
- dental services 0.3% fcs
- motor vehicles -0.7% fcs
- books -2.1% fcs
- newspapers & magazines 0.2% fcs
- veterinary & other animal services 0.2% fcs
- other financial services 0.9% fcs

Core inflation risks to the upside

We have confirmed our revised estimate of 0.8% and we still consider the risks to be tilted to the upside.

As Luci Ellis highlighted, the August Monthly CPI Indicator may signal a stronger trend in dwelling purchase costs, with prices rising 0.4% in both July and August. This strength likely reflects an unwinding of earlier discounts by project home builders. This levels effect is not necessarily a driver of ongoing price growth, but underlying building cost inflation may be higher than late 2023 levels. We're watching this closely, with current forecasts showing dwelling prices rising 0.3% in September, then 0.2% per month to April 2026. Given dwellings make up about 7.5% of the CPI, and are typically included in the Trimmed Mean, any shift in this trend could influence core inflation.

Rent stable at 0.3% per month

Rents rose 0.3% in August, the fifth month in a row rents increased by 0.3%. We expect this pace to continue to at least the end of the year, except for October when an increase in Commonwealth Government rental assistance on the 30th of September is likely to lead to a small fall in reported rents.

Still some uncertainty for electricity

Electricity fell 6.3% in August as households in NSW and ACT received their first payments from the extended Commonwealth Energy Bill Relief Fund (EBRF) rebates. For households in Western Australia, they will receive the payment from the EBRF program from 11 October. This change in the timing of EBRF payments for Western Australian households also contributed to higher out of pocket electricity costs in August, and is likely to lead to further volatility in electricity until all the rebates have been granted in early 2026.

Core inflation is round down to 0.8%

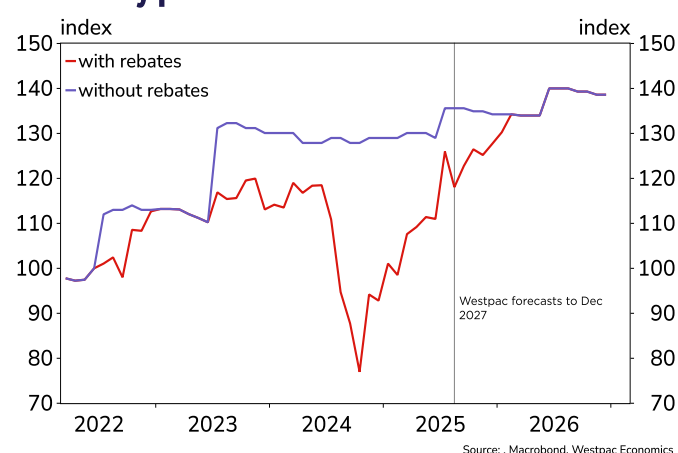
It's important to note that the Trimmed Mean is calculated from seasonally adjusted contributions, not from the headline CPI data. For the September quarter, the trimming boundaries range from -0.3% to 1.9%. Key components such as rents and dwelling prices fall well within this range, at 0.9%qtr

Breakdown: Sep Quarter CPI & Monthly CPI

	Sep	Jul	Aug	Sep fcs
	Qtr	Mth	Mth	Mth
Item	% qtr	% mth	% mth	% mth
Food	3.0	3.0	3.0	3.0
of which, bread & cereals	2.0	1.9	2.1	2.2
of which, meat & seafood	2.8	2.4	2.9	2.8
of which, dairy & related prod.	1.0	0.2	1.3	1.3
of which, fruit & vegetables	2.5	4.8	1.1	1.6
of which, food products nec	3.7	3.7	4.1	3.3
of which, non-alcohol bev.	5.2	5.7	4.9	5.0
Alcohol & tobacco	5.9	6.5	6.0	4.9
of which, alcohol	2.9	3.8	3.1	2.1
of which, tobacco	12.2	12.4	12.6	11.7
Clothing & footwear	2.6	2.3	3.0	2.0
of which, garments	1.4	1.2	2.1	0.7
Housing	4.7	3.6	4.5	5.7
of which, rents	3.9	3.9	3.7	3.9
of which, house purchases	0.7	0.4	0.7	1.1
of which, electricity	25.4	13.6	24.6	39.9
of which, gas & other fuels	4.3	4.7	4.1	4.0
H/hold contents & services	0.6	0.9	0.9	0.6
Health	3.5	4.1	4.1	3.9
Transportation	0.5	-1.0	0.4	1.9
of which, auto fuel	-1.4	-5.5	-1.7	3.2
Communication	1.8	0.8	1.9	2.1
Recreation	1.5	2.6	1.4	0.6
of which, holiday travel	1.8	3.3	1.1	-0.2
Education	5.2	5.6	5.5	5.2
Financial & insurance services	2.9	3.1	3.0	2.9
CPI: All groups	3.0	2.8	3.0	3.1

Sources: ABS, Westpac Banking Corporation

Electricity prices before and after rebates

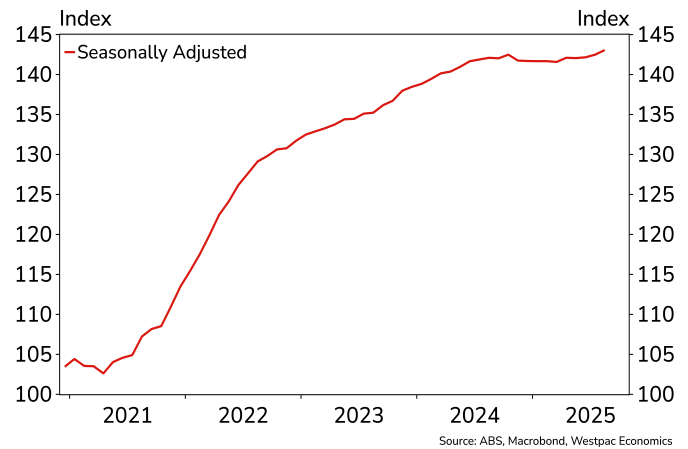


(seasonally adjusted) for dwellings and 1.0%qtr (seasonally adjusted) for rents. As a result, any modest upside surprise in these categories will positively contribute to core inflation.

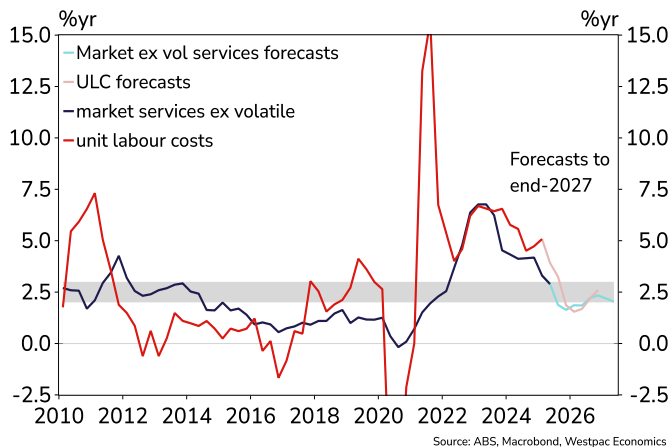
Our Trimmed Mean estimate is rounded down to 0.8%qtr. Given there is some upside risk to dwelling prices, this suggests any risk to this estimate lies to the upside. For those who like details, at three decimal places it is 0.846%.

For the critical market sector services ex volatile measure, Westpac is estimating a 0.9% increase in the quarter, which due to base effects will see the annual rate dip from 2.9%yr to 2.5%yr. Westpac is forecasting this measure of domestic core inflation do hit a low of 1.8%yr in the December quarter this year.

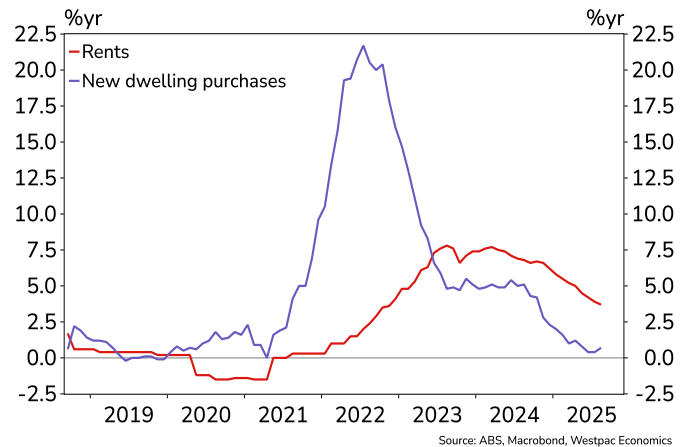
Monthly Dwelling Prices



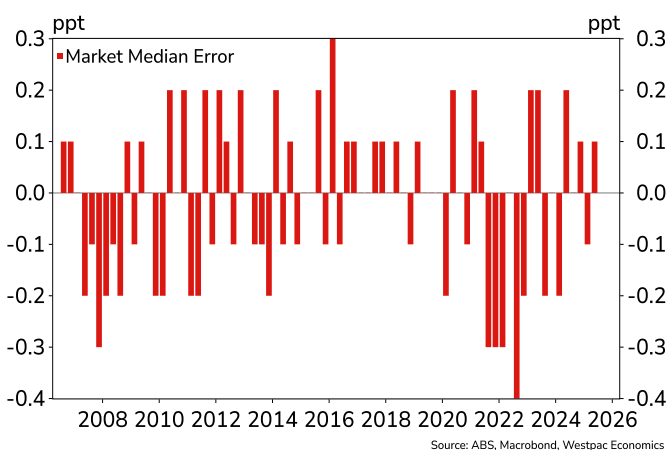
Market sector inflationary pressures are easing



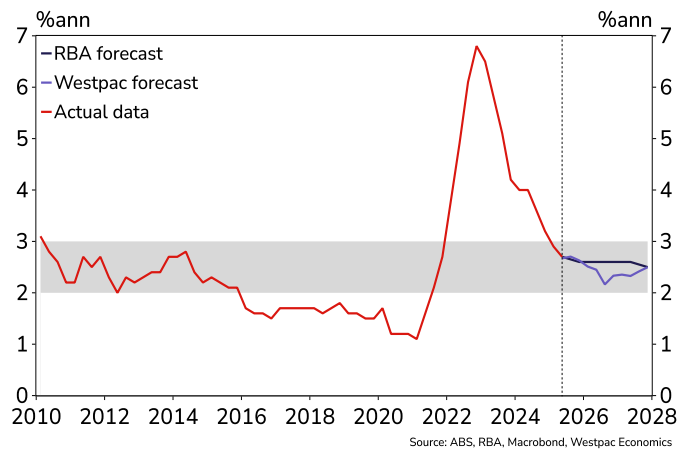
New dwellings and rents



Market Trimmed Mean Forecast vs ABS



Trimmed Mean Inflation



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