

22 January 2026

# DECEMBER CPI PREVIEW AND ANALYSIS

Core inflation momentum easing?

## Key points

- The November CPI came in softer than Westpac had expected; 0.0% in the month compared to our 0.4% forecast.
- Our [November Update](#) highlighted downside risk to our December quarter near-casts which were sitting on 0.6%qtr for the Headline CPI and 0.8%qtr for the Trimmed Mean.
- We confirm those downside risks and have revised down our December quarter estimates to 0.5%qtr for the Headline CPI and 0.7%qtr for the Trimmed Mean.
- For the month of December our CPI estimate is 0.9%mth/3.7%yr.
- It will take some time to understand the Complete Monthly CPI but it does mean we are now able to generate Trimmed Mean estimates.
- Our December monthly Trimmed Mean estimate is 0.1%mth/3.2%yr with the three month change moderating to 0.4% from 0.6% in October and November.

## Breakdown: Dec Quarter CPI & Monthly CPI

Item	Dec	Oct	Nov	Dec
	Qtr fcs	Mth	Mth	Mth fcs
	% qtr	% mth	% mth	% mth
<b>Food</b>	<b>0.4</b>	<b>0.2</b>	<b>0.4</b>	<b>0.2</b>
of which, bread & cereals	0.6	0.1	0.8	0.5
of which, meat & seafood	2.1	1.0	0.3	0.7
of which, dairy & related prod.	1.1	-0.5	1.0	0.5
of which, fruit & vegetables	-3.2	0.5	0.7	-1.4
of which, food products nec	0.6	-0.5	0.2	1.1
of which, non-alcohol bev.	-1.0	-0.4	0.2	0.0
<b>Alcohol &amp; tobacco</b>	<b>0.8</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.4</b>
of which, alcohol	-1.0	-0.4	-0.2	-0.7
of which, tobacco	5.0	1.0	0.7	0.2
<b>Clothing &amp; footwear</b>	<b>0.3</b>	<b>2.2</b>	<b>-3.1</b>	<b>0.6</b>
of which, garments	-0.4	2.6	-2.3	-0.4
<b>Housing</b>	<b>0.4</b>	<b>-0.8</b>	<b>1.1</b>	<b>1.5</b>
of which, rents	0.8	0.2	0.4	0.4
of which, house purchases	1.5	0.4	0.5	0.4
of which, electricity	-4.7	-10.2	6.8	12.0
of which, gas & other fuels	-0.5	-3.7	3.5	-1.7
<b>H/hold contents &amp; services</b>	<b>-0.1</b>	<b>2.0</b>	<b>-3.8</b>	<b>-0.6</b>
<b>Health</b>	<b>-0.6</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.9</b>
<b>Transportation</b>	<b>0.6</b>	<b>0.3</b>	<b>0.3</b>	<b>-0.1</b>
of which, auto fuel	1.5	-0.9	2.5	0.4
<b>Communication</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.4</b>	<b>-0.1</b>
<b>Recreation</b>	<b>1.7</b>	<b>-0.2</b>	<b>-1.1</b>	<b>5.1</b>
of which, holiday travel	2.8	-1.0	-2.5	11.0
<b>Education</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Financial &amp; insurance services</b>	<b>0.5</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>
<b>CPI: All groups</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>

Sources: ABS, Westpac Banking Corporation

- [At least for now, the ABS will continue publishing](#) quarterly underlying inflation measures in a manner consistent with their history of price collection frequency.

# We will continue to focus on the quarterly prints



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Senior Economist

## A softer November CPI ...

The Complete Monthly CPI rose 3.4% over the year to November, softer than Westpac's 3.8% estimate and the market's 3.6% expectation. The index was flat in November, below Westpac's near-cast of a 0.4% gain, driven by a smaller-than-expected rise in electricity (6.8% vs. 16.0% est.), larger declines in household contents & services (-0.9% vs. -0.2% est.), clothing & footwear (-3.1% vs. -2.9% est.) and health (-0.5% vs. 0.0% est.), and a softer increase in transport (0.3% vs. 0.6% est.). These were partially offset by stronger-than-expected rises in food (0.4% vs 0.2% est.), rents (0.4% vs. 0.3% est.), new dwellings (0.5% vs 0.4% est.) and communication (0.4% vs. -0.1% est.).

Energy rebates continued to materially depress measured monthly and quarterly inflation but boost annual measures. Electricity prices rose 19.7% over the year, well below the 37.1% pace in October, reflecting the Queensland Government rebate and fewer catch-up payments from the Commonwealth Energy Bill Relief Fund (EBRF) in 2025 compared with 2024.

Excluding Commonwealth and State electricity rebates, the ABS estimated electricity prices increased 4.6% over the year to November, compared with 5.0% in October, consistent with the annual retail price reviews implemented in July 2025.

For more information on the November Monthly CPI see ["Momentum not as strong as first thought"](#).

## ... hints of a moderation in core inflation

The Trimmed Mean increased 3.2% in the year to November, a slight moderation from the 3.3%yr pace in October. Due to its short history, the annual pace of Monthly Trimmed Mean can only be calculated back to April 2025. Before then the ABS uses annual movements from the quarterly estimates.

In the month of November the Trimmed Mean lifted 0.3%, the same monthly increase it has seen for the previous four months and down from the 0.5%mth increase in July but stronger than the 0.2%mth prints from March to June. For reference, the RBA's 2-3% target range for annual inflation equates to a monthly pace of 0.17-0.25%.

We do know that due to the short history of the Monthly CPI the RBA will, at least for the near term, focus on the quarterly Trimmed Mean. [The ABS has also noted](#) that it is unlikely to be able to make a detailed assessment of seasonality in the monthly series until the June quarter of 2027. As such, we anticipate the RBA will use the December quarter print to guide its decision.

## Revision to the December quarter CPI estimate

Item	Dec 12, 2025	Jan 16, 2026	Dec 12, 2025	Jan 16, 2026
	% qtr	contrib	% qtr	contrib
<b>Food</b>	<b>0.2</b>	<b>0.04</b>	<b>0.4</b>	<b>0.06</b>
of which, Fruit & vegetables	-3.7	-0.07	-3.2	-0.06
<b>Alcohol &amp; tobacco</b>	<b>1.1</b>	<b>0.07</b>	<b>0.8</b>	<b>0.05</b>
of which, Tobacco	4.6	0.09	5.0	0.10
<b>Clothing &amp; footwear</b>	<b>0.5</b>	<b>0.02</b>	<b>0.3</b>	<b>0.01</b>
<b>Housing</b>	<b>0.8</b>	<b>0.18</b>	<b>0.4</b>	<b>0.10</b>
of which, Rents	0.7	0.05	0.8	0.05
of which, House purchases	1.4	0.11	1.5	0.11
of which, Utilities	0.2	0.01	-1.9	-0.08
<b>H/hold contents &amp; services</b>	<b>0.2</b>	<b>0.02</b>	<b>-0.1</b>	<b>-0.01</b>
<b>Health</b>	<b>-0.2</b>	<b>-0.01</b>	<b>-0.6</b>	<b>-0.04</b>
of which, Pharmaceuticals	-1.4	-0.01	-1.6	-0.01
<b>Transportation</b>	<b>0.9</b>	<b>0.11</b>	<b>0.6</b>	<b>0.07</b>
of which, Car prices	0.1	0.00	-0.9	-0.03
of which, Auto fuel	1.7	0.06	1.5	0.05
<b>Communication</b>	<b>-0.1</b>	<b>0.00</b>	<b>0.1</b>	<b>0.00</b>
<b>Recreation</b>	<b>1.2</b>	<b>0.15</b>	<b>1.7</b>	<b>0.21</b>
of which, Audio visual & comp.	0.3	0.00	0.1	0.00
of which, Holiday travel	1.8	0.11	2.8	0.18
<b>Education</b>	<b>0.1</b>	<b>0.00</b>	<b>0.1</b>	<b>0.00</b>
<b>Financial &amp; insurance services</b>	<b>0.3</b>	<b>0.02</b>	<b>0.5</b>	<b>0.03</b>
<b>CPI: All groups</b>	<b>0.6</b>	<b>-</b>	<b>0.5</b>	<b>-</b>
<b>CPI: All groups % year</b>	<b>3.6</b>	<b>-</b>	<b>3.5</b>	<b>-</b>

Sources: ABS, Westpac Banking Corporation

## Westpac inflation profile

		Dec-25	Mar-26	Jun-26	Sep-26
<b>CPI</b>	Index	144.3	145.4	146.3	147.4
	(%qtr)	0.5	0.8	0.6	0.8
	(%yr)	3.5	3.3	3.2	2.6
<b>Trimmed mean</b>	(%qtr)	0.7	0.6	0.6	0.6
	(%yr)	3.1	3.1	3.0	2.5
	(6mth ann'd)	3.5	2.8	2.4	2.3

Source: ABS, Westpac Economics.

## Electricity to boost December CPI...

Westpac is estimating a 0.9% increase in the December Monthly CPI which will lift the annual pace from 3.4%yr to 3.7%yr.

Boosting the December estimate are: a 12% bump in electricity as the impact of the last round of rebates continues to fade; an 11% rise in holiday travel & accommodation; while rents and dwellings each rise 0.4%. Partially offsetting these gains are a -1.4% decline in fruit & vegetables and a -1.7% drop in gas & other household fuels.

While electricity is making a significant contribution, December is also a seasonally strong month with our seasonal adjusted estimate increasing just 0.1% in the month.

## ...but another moderate read on core inflation

Westpac has applied the ABS's forward seasonal factors to seasonally adjust our Monthly CPI estimates, allowing us to project the Monthly Trimmed Mean. For December, we estimate a 0.1% rise, which would hold the annual pace steady at 3.2%yr, see the three-month pace ease from 0.6% to 0.4%, and the six-month annualised rate slow to 3.5%yr from 3.7%yr. Based on our current projections, we expect the annual pace of the Monthly Trimmed Mean to continue easing, down to 3.1%yr in January 2026, 3.0%yr in March, 2.8%yr in July, 2.7%yr in September, and 2.5%yr by December 2026.

All of this is consistent with a moderation in core inflation, which we will be watching closely as the year unfolds.

## Headline CPI revised down...

Westpac is estimating a 0.5% rise in the December-quarter CPI, a 0.1ppt downgrade from our earlier forecast. Because a 0.2% quarterly increase is dropping out of the base, the annual pace is expected to lift from 3.2%yr to 3.5%yr. Offsetting quarterly inflation is a 4.7% fall in electricity prices (despite strong increases in November and December, the average level for the quarter is lower than in September) alongside declines in pharmaceuticals (-1.6%) and alcohol (-1.0%), and now an expected fall in motor vehicle prices (-0.9%), Rents (0.8%) and new dwellings (1.5%) continue to provide solid contributions, as does automotive fuel (1.5%), but the standout for the quarter is holiday travel & accommodation (2.8%).

## ...as is the Trimmed Mean

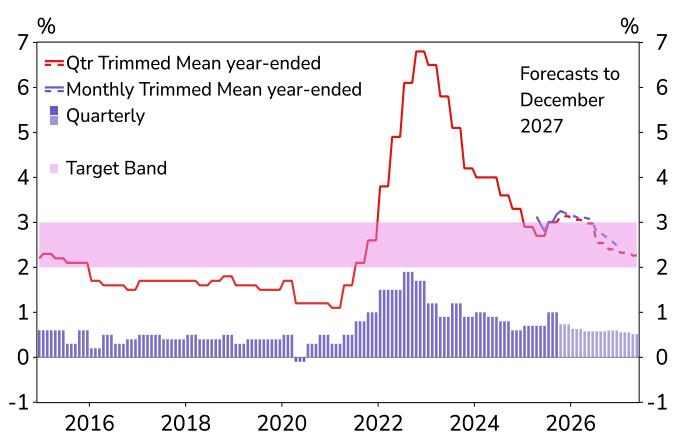
Readers will recall that the Trimmed Mean is calculated from seasonally adjusted price changes. Westpac's estimate for the December-quarter Trimmed Mean has been revised down by 0.1ppt. We now expect a 0.7% increase which, with the 0.6% rise from December 2024 dropping out, lifts the annual pace slightly to 3.1%yr from 3.0%yr. The range of component price changes included in the Trimmed Mean runs from -0.71% to 1.52%, bookended by garments for men (-0.71%) at the low end and new dwellings (1.52%) at the top. Notable contributors within the Trimmed Mean for the quarter include automotive fuel (1.47%), restaurants (1.00%), domestic holiday travel & accommodation (0.92%), medical & hospital services (0.90%), rents (0.81%), takeaway & fast food (0.60%), other financial services (0.37%), international holiday travel & accommodation (0.19%) and vegetables (-0.61%).

## Breakdown: Monthly CPI Annual Pace

Item	Sep	Oct	Nov	Dec fcs
	Mth	Mth	Mth	Mth
<b>Food</b>	<b>3.2</b>	<b>3.2</b>	<b>3.3</b>	<b>3.3</b>
of which, bread & cereals	1.9	0.7	1.2	1.1
of which, meat & seafood	3.4	3.8	3.9	4.5
of which, dairy & related prod.	2.6	3.0	3.2	2.7
of which, fruit & vegetables	0.7	1.8	2.7	2.7
of which, food products nec	4.3	3.8	3.6	3.3
of which, non-alcohol bev.	5.4	4.8	4.7	4.4
<b>Alcohol &amp; tobacco</b>	<b>5.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.4</b>
of which, alcohol	2.2	1.6	1.0	1.3
of which, tobacco	13.5	11.6	12.2	12.2
<b>Clothing &amp; footwear</b>	<b>3.8</b>	<b>5.4</b>	<b>5.1</b>	<b>4.9</b>
of which, garments	1.4	3.6	2.2	1.5
<b>Housing</b>	<b>5.7</b>	<b>5.9</b>	<b>5.2</b>	<b>7.0</b>
of which, rents	3.8	4.2	4.0	4.1
of which, house purchases	1.5	1.7	2.8	3.2
of which, electricity	33.9	37.1	19.7	36.0
of which, gas & other fuels	6.5	3.8	4.1	4.1
<b>H/hold contents &amp; services</b>	<b>1.8</b>	<b>2.1</b>	<b>1.3</b>	<b>1.6</b>
<b>Health</b>	<b>4.2</b>	<b>4.0</b>	<b>3.6</b>	<b>3.0</b>
<b>Transportation</b>	<b>2.3</b>	<b>2.7</b>	<b>2.7</b>	<b>1.4</b>
of which, auto fuel	2.8	1.9	3.5	0.1
<b>Communication</b>	<b>1.6</b>	<b>0.8</b>	<b>1.3</b>	<b>1.4</b>
<b>Recreation</b>	<b>1.8</b>	<b>3.2</b>	<b>2.0</b>	<b>2.2</b>
of which, holiday travel	2.0	3.0	1.8	1.3
<b>Education</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>
<b>Financial &amp; insurance services</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.3</b>
<b>CPI: All groups</b>	<b>3.6</b>	<b>3.8</b>	<b>3.4</b>	<b>3.7</b>

Sources: ABS, Westpac Banking Corporation

## Trimmed Mean Inflation



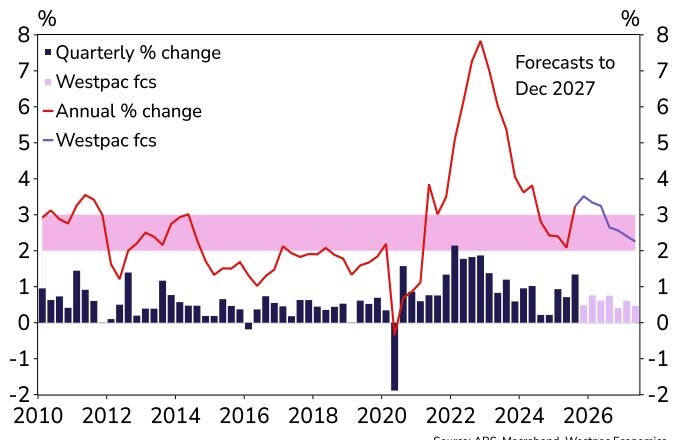
Source: ABS, Macrobond, Westpac Economics

## Signs inflationary momentum may have peaked

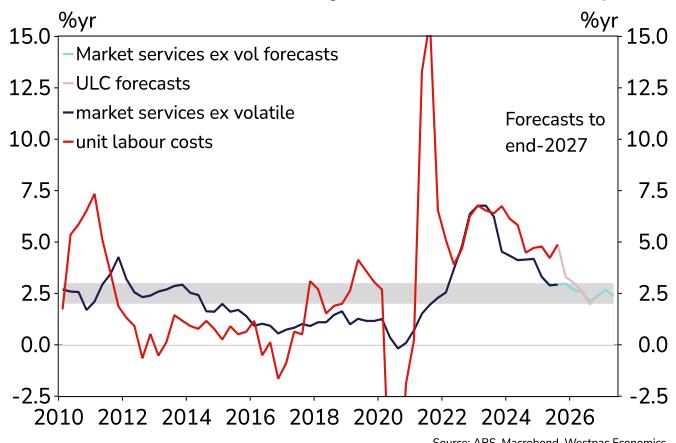
As noted in earlier bulletins, inflation picked up in the September quarter, but the key drivers were not domestic demand or labour-market pressures. Instead, the rise was largely due to administered (government-controlled) prices and statistical noise. This momentum carried into October as expected, but by November the data was already showing signs of turning, leading us to revise down our December-quarter forecast. As the table below highlights, policy-driven price changes, covering electricity, tobacco, child care, water & sewerage, education, property rates and charges, postal services, and motor-vehicle-related services, have been central to recent inflation. These areas mostly lie outside the influence of monetary policy.

Supply-related factors, including disruptions affecting coffee, tea & cocoa, lamb & goat, and beef & veal, as well as strong export demand, have also contributed to price pressures, though both effects have begun to moderate, easing inflationary momentum. One-off price rises, such as the Foxtel subscription increase, have also played a role. Meanwhile, the surge in gold prices has flowed through to jewellery inflation. Although gold prices continue to edge higher, the major step-up has already occurred, suggesting jewellery inflation has peaked and is likely to be less of a driver in 2026.

## Headline CPI Inflation



## Market sector inflationary pressures are easing



## Breakdown of Current Inflationary Momentum

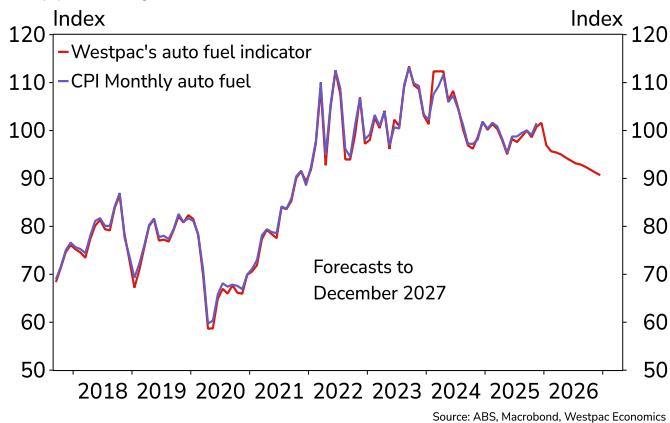
	Year-ended inflation Nov 2025	Change in annual pace Oct to Nov	Notes
Electricity	19.85	-17.45	Policy, lumpy, unwind of rebates
Coffee, Tea & Cocoa	15.12	-1.35	Global supply, already slowing
Tobacco	12.13	0.62	Policy
Lamb & Goat	12.01	-2.29	Supply, already slowing
Accessories	11.26	-1.15	Gold in jewellery, already slowing
Beef & Veal	11.15	0.78	Supply, already slowing
Child Care	11.12	0.26	Policy
Audio, Visual & Comp. Media & Services	9.54	-0.24	Foxtel, one-offs
Footwear For Women	9.17	0.64	Volatile, likely peaked
Snacks & Confectionery	7.12	-0.68	Signs it has peaked
Water & Sewerage	7.05	-0.02	Policy
Secondary Education	6.39	0.01	Policy
Preschool & Primary Education	6.38	0.03	Policy
Property Rates & Charges	6.21	0.01	Policy
Postal Services	5.70	0.25	Policy
Other Services of Motor Vehicles	5.66	-0.16	Policy
Maintenance & Repair Motor Vehicles	5.10	0.06	May have peaked
Ice-Cream & Other Dairy Products	4.95	0.84	Unclear

Sources: ABS, Westpac Banking Corporation

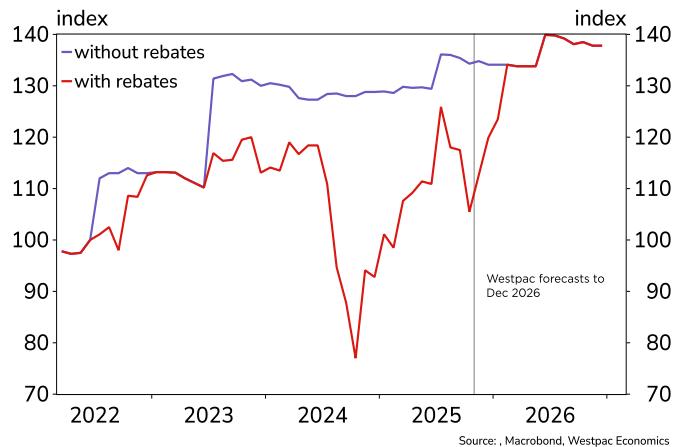
Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

## Auto fuel prices

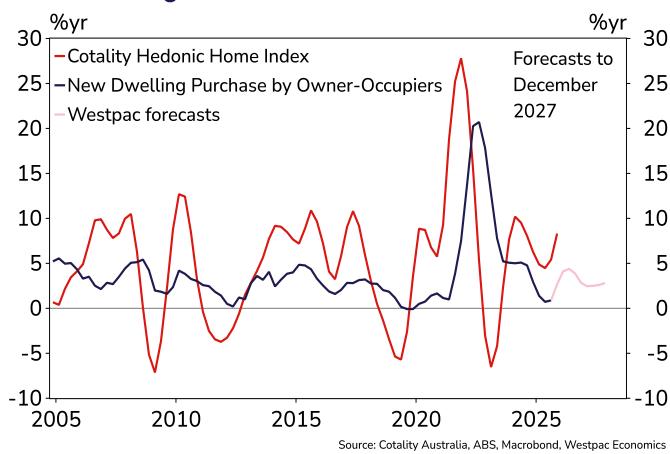
Pump price average for unleaded and diesel



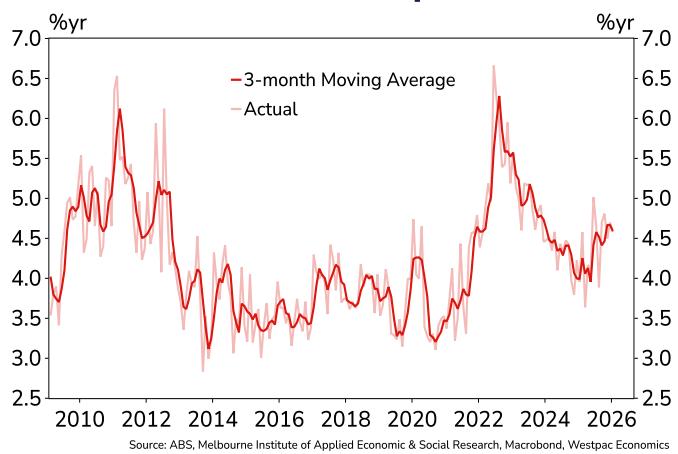
## Electricity prices before and after rebates



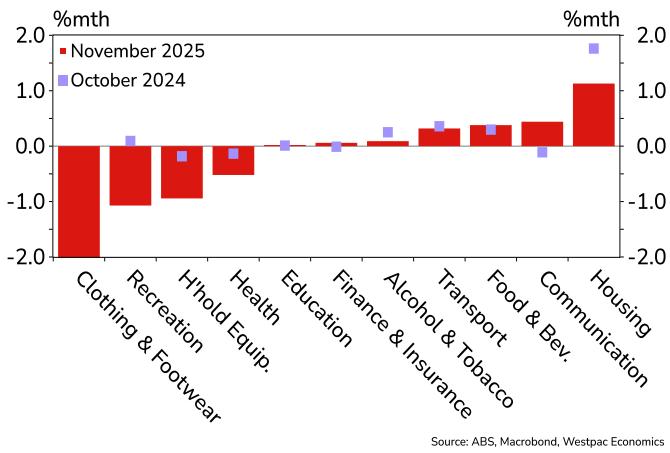
## New Dwellings vs. Established Homes



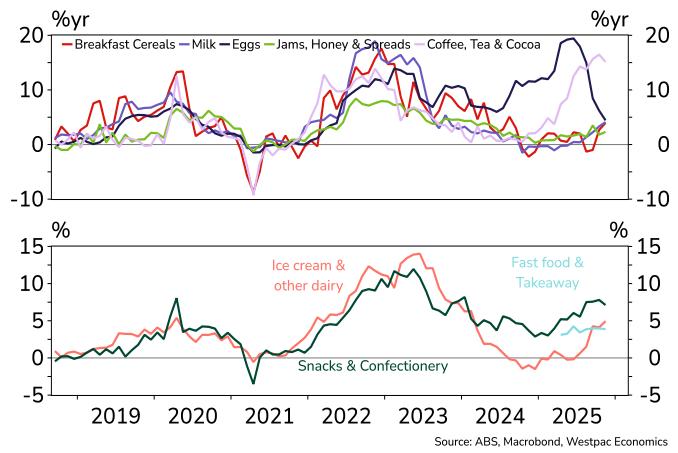
## Melbourne Institute Inflation Expectations



## Monthly CPI by Category



## Breakfast & Treat Inflation



Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



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