

CPI August 2025

The monthly CPI indicator suggested that the annual rate of consumer price inflation rose to 3.0% YoY in August. This was a slight upside surprise to market participants, who expected a rise to 2.9%.

%	MoM	YoY
Headline CPI	-0.1	3.0
Seasonally Adjusted Headline CPI	0.1	3.0
Goods	0.0	2.8
Services	-0.1	3.3
Tradables	-0.2	0.9
Non-tradables	0.0	4.1
Annual Trimmed Mean	-	2.6
CPI Ex Volatile Items and Holiday Travel*	0.1	3.4

*MoM changes are seasonally adjusted.

The monthly CPI index declined by 0.1% in unadjusted terms and was 0.1% higher when seasonally adjusted.

The CPI excluding volatile items and holiday travel rose 0.4% for the month, to be up by 3.4% YoY, the most in around a year.

However, annual trimmed mean inflation, which is the RBA's preferred measure of underlying price growth, ebbed by 0.1ppts to 2.6%, which is very close to the mid-point of the 2-3% target range that the RBA focuses on following its recent review of monetary policy strategy.

Groups

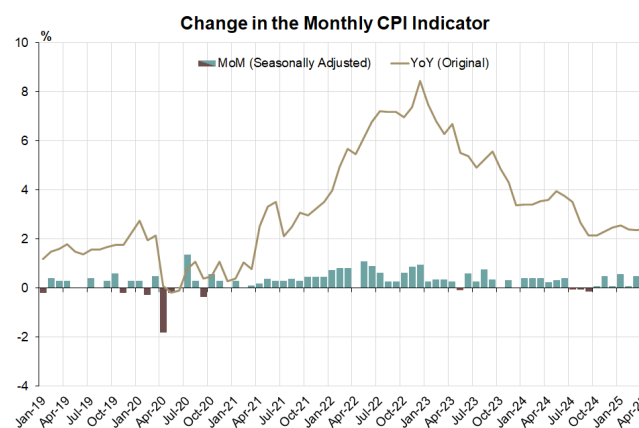
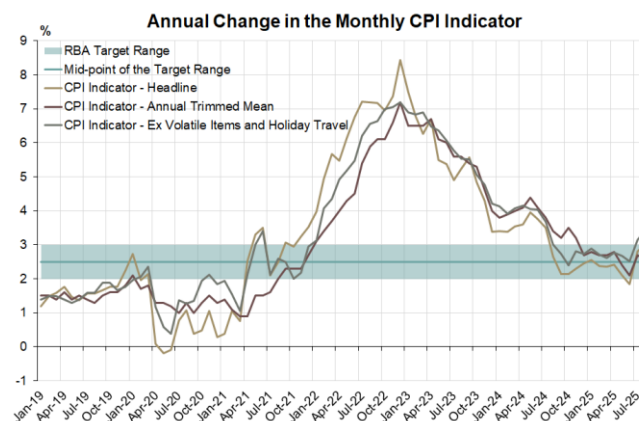
The housing group was the biggest contributor to the annual increase in CPI inflation, rising by 4.5%, largely driven by electricity costs. Although out-of-pocket expenses on electricity fell by 6.3% in the month, this was less than the 14.6% fall in August 2024. As a result, annual electricity cost inflation rose by 11ppts to 24.6%.

Other contributors to higher headline inflation in August were somewhat faster, but still modest growth in new dwelling prices and a slower decline in auto fuel prices. Meals out and takeaway rose by 3.3% YoY, the most in a year, but services price inflation slowed overall.

Other categories were largely neutral or contributed negatively to inflation. This included rents, which saw the smallest gain since November 2022, of 3.6% YoY.

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	0.4	3.0
Alcohol and Tobacco	0.2	6.0
Clothing and Footwear	0.3	3.0
Housing	-0.5	4.5
Furnishings, Household Eq. and Serv.	0.3	0.9
Health*	0.0	4.1
Transport	0.5	0.4
Communication	0.7	1.9
Recreation and Culture	-1.4	1.4
Education	0.1	5.5
Insurance and Financial Services	0.4	3.0

*Not updated in August.



Comment

The slight upside surprise to the headline rate of CPI inflation implied by the monthly indicator triggered a knee-jerk reaction in markets.

Cash rate cut expectations were scaled back a little, with the market implied probability of a reduction by November now just below 60% and pricing for the terminal rate rising slightly above 3.20%. The Commonwealth bond yields bounced, while the Australian dollar appreciated.

However, it is important to bear in mind that the RBA is focusing on the more comprehensive quarterly inflation figures for now, and the monthly figures will receive more focus from November, when the first full monthly CPI will be released. In today's release, only 73% of the CPI basket was updated.

Even looking at this monthly release, the RBA's preferred measure of underlying inflation, trimmed mean inflation, declined toward the mid-point of the target range. This measure is even more relevant now, as energy bill relief measures are impacting the headline rate of inflation.

Some commentators highlighted faster price growth in selected services categories, but overall, services price inflation slowed, indicating limited demand pressure.

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