

# CPI December & Q4 2025

The headline CPI (unadjusted) rose by 0.6% in Q4 2025, in line with market expectations, taking the annual rate of headline inflation to 3.6%.

Quarterly trimmed mean inflation, which is the RBA's favourite underlying price gauge, rose by 0.6% QoQ and 3.4% YoY.

Both annual headline and trimmed mean inflation are now back above the RBA target range of 2-3%.

| (%, Original)    | MoM (Dec)* | QoQ | YoY |
|------------------|------------|-----|-----|
| Headline CPI     | 0.2        | 0.6 | 3.6 |
| Trimmed Mean CPI | 0.2        | 0.9 | 3.4 |

\*Monthly changes are seasonally adjusted.

The monthly CPI picked up by a seasonally adjusted 0.2% in December, to be up by 3.8% YoY. Trimmed mean CPI also rose by 0.2%, to be up by 3.3%.

| (YoY, %, Seasonally Adjusted) | Oct-25 | Nov-25 | Dec-25 |
|-------------------------------|--------|--------|--------|
| Headline CPI                  | 3.9    | 3.5    | 3.7    |
| Trimmed Mean CPI              | 3.3    | 3.2    | 3.3    |

The quarterly number will remain the most relevant measure for monetary policy until the RBA becomes more confident in the monthly trimmed mean.

## Groups

Acceleration in the annual rate of inflation was recorded for six out of eleven major categories in Q4, led by housing (+1.0pts to a two-year high of 5.8% YoY), partly due to base effects on electricity prices from energy bill relief measures. There was also acceleration in rents (to 4.0% YoY), new dwellings (to 2.5% YoY) and property rates and charges (to 10.6% YoY).

Other major categories that recorded acceleration were food (+0.2pppts to 3.3% YoY), transport (1.3pppts to 2.1% YoY) and recreation (+1.1pppts to 3.3% YoY).

These changes were partly offset by slower growth in the prices of alcohol and tobacco, clothing and footwear, health, communication as well as insurance and financial services.

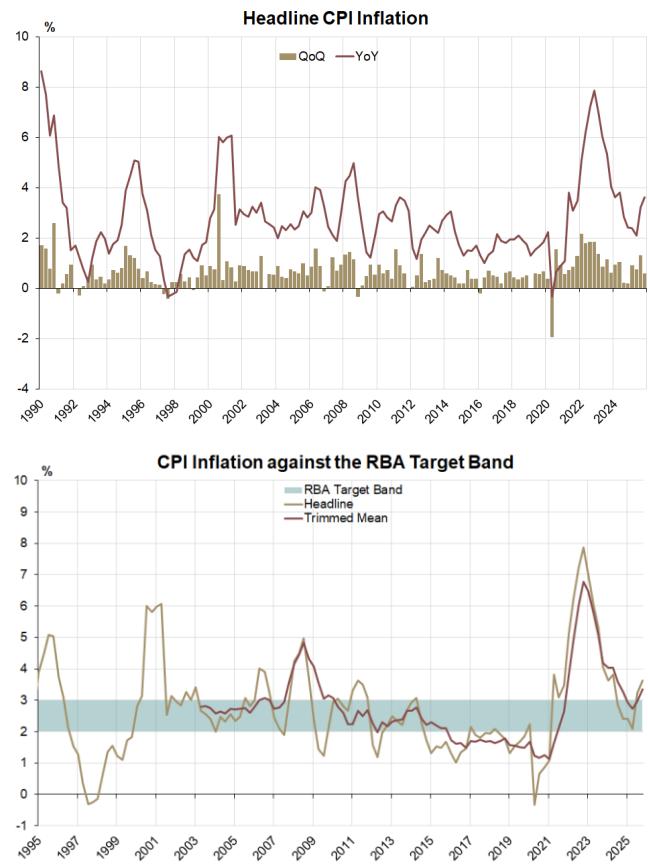
## Capital Cities

The CPI was up across all the capital cities, whether in monthly terms in December or quarterly terms in Q4.

The monthly change in the CPI (unadjusted) ranged from 0.7% in Perth to 1.1% in Sydney. Perth also saw the smallest quarterly rise in the CPI, of just 0.2%, in Q4.

The annual rates of inflation in Q4 were between 3.2% in Melbourne and 5.1% in Brisbane. As for changes YoY to December, Melbourne also saw the smallest gain of 3.1%, while Brisbane again led the increases (+5.2%).

| Capital Cities (%, Original) | MoM (Dec) | QoQ (Q4) | YoY (Q4) |
|------------------------------|-----------|----------|----------|
| Perth                        | 0.7       | 0.2      | 3.9      |
| Sydney                       | 1.1       | 0.5      | 3.5      |
| Melbourne                    | 0.9       | 0.7      | 3.2      |
| Brisbane                     | 1.0       | 0.9      | 5.1      |
| Adelaide                     | 0.8       | 0.8      | 3.3      |
| Hobart                       | 0.8       | 1.1      | 3.9      |



## Comment

The CPI report for Q4 and December 2025 has increased the likelihood of a 25bps rate hike by the RBA next week. At the time of writing, the probability of such a move implied from cash rate futures is around 70%, up from around 60% this morning.

The RBA will most likely not tolerate trimmed mean inflation rising back above the target range.

The monthly figures point to the annual rate of services price inflation having been the highest in almost a year. Non-tradables inflation was the highest since mid-2024, though partly helped by base effects on electricity.

Annual price growth for essential goods and services such as housing (even outside of electricity prices), transport or food has also accelerated.

However, the February cash rate hike would likely be an adjustment rather than the start of a tightening cycle. This is because, as mentioned in the [employment note last week](#), the underlying trends in the labour market point to gradual softening in conditions. Growth in the broader economy, despite the recent acceleration, is still moderate. Both could suggest limited further upward inflation pressure ahead and hence that the RBA will be cautious in delivering further increases.

**28 January 2026**