ECONOMIC INDICATORS

# CPI September & Q3 2025

The headline CPI (unadjusted) rose by 1.3% in Q3 2025, taking the annual rate of inflation 1.1ppts higher to 3.2%. This was an upside surprise to market participants who expected a rise of 1.1% QoQ and 3.0% YoY.

The trimmed mean CPI, which is the RBA's preferred underlying price gauge, rose by 1.0% QoQ and 3.0% YoY (mkt exp.: 0.8% QoQ and 2.7% YoY).

| %, Original | QoQ | YoY |
|---|---|---|
| Headline CPI | 1.3 | 3.2 |
| Market Sector Ex Volatile Items | 1.4 | 3.4 |
| Trimmed Mean CPI | 1.0 | 3.0 |
| Goods | 1.3 | 3.0 |
| Services | 1.3 | 3.5 |
| Non-tradables | 1.4 | 4.1 |
| Tradables | 1.0 | 1.4 |

The monthly CPI indicator suggested that annual headline inflation picked up by 0.5ppts to 3.5% in September, while annual trimmed mean inflation rose 0.2ppts to 2.8%.

## Groups

The main contribution to the rise in the headline inflation rate came from electricity prices, which the timing of the energy bill relief payments, and – to a lesser extent – the annual electricity price reviews. Coupled with a rise in property rates and new dwelling prices, this resulted in housing contributing the most to the QoQ and YoY rise in CPI.

However, there were also solid gains in prices of automotive fuel and many services (such as travel, insurance, restaurants, childcare, dentists or vets).

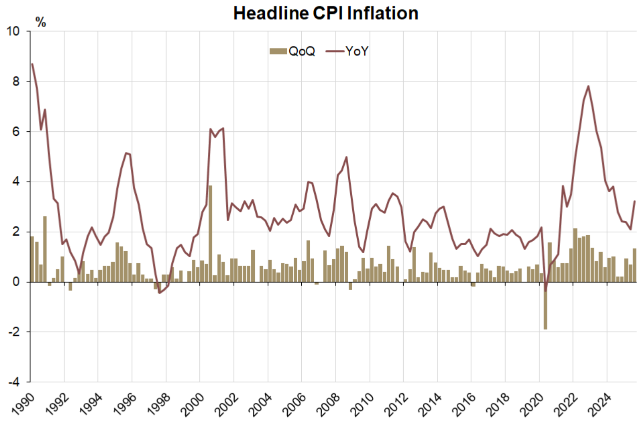
## Capital Cities

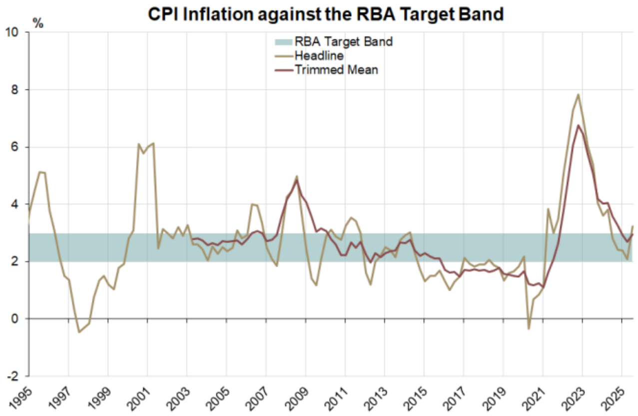
Solid gains in consumer prices were recorded across all capital cities in Q3. The strongest rise at 1.5% QoQ was registered in Sydney, while Adelaide saw the weakest, albeit still considerable, gain of 1.1%.

Annual rates of inflation ranged from 2.4% in Adelaide to 4.5% in Perth, which, however recorded a 1.3% quarterly gain, in line with the nationwide figures.

The higher annual consumer price inflation in Perth resulted mainly from relatively strong base effects in electricity prices. The State household electricity credit program was not extended in 2025-26, while the $150 Commonwealth energy bill relief was credited to Western Australian households in early Q4, somewhat later than in some other states.

| Capital Cities (%, Original) | QoQ | YoY |
|---|---|---|
| Perth | 1.3 | 4.5 |
| Sydney | 1.5 | 2.9 |
| Melbourne | 1.2 | 2.6 |
| Brisbane | 1.3 | 4.7 |
| Adelaide | 1.1 | 2.4 |
| Hobart | 1.4 | 4.3 |




## Comment

The July and August monthly CPI indicator figures suggested that Q3 CPI could be on the strong side, but the magnitude of the rise proved to be even larger than expected.

Earlier this week, RBA officials said that they estimated trimmed mean CPI had risen by 0.9%, instead of 0.6% assumed in their August projection. It turned out to be 1.0%.

Annual trimmed mean inflation, which the RBA pays close attention to, is back at the upper bound of the 2-3% target range. It was the first rise since late 2022.

The rise in annual headline inflation above the RBA target band was less surprising, given the strong base effects on electricity prices.

Services price inflation also picked up for the first time in a year, with solid gains for several subcategories, but – at 3.5% – remains below the series average of 5.0%.

Following the upside surprise to Q3 inflation figures this morning, expectations for a cash rate cut next week largely evaporated. The probability of a cut in February dropped from 100% to around 60%. We also believe that a November cut is unlikely but continue to expect monetary policy easing in early 2026.

**29 October 2025**