

CPI March & Q1 2025

The headline CPI (unadjusted) rose by 0.9% in Q1 2025, slightly more than the 0.8% pencilled in by the market consensus. The annual rate of headline CPI inflation was unchanged at 2.4%, against market expectations of a 0.1ppts decline to 2.3%.

Trimmed mean CPI, which is the RBA's favourite underlying price gauge, rose by 0.7% QoQ and 2.9% YoY (mkt exp.: 0.6% QoQ and 2.8% YoY). Thereby, the annual rate of trimmed mean inflation has returned to the RBA target range.

%, Original	QoQ	YoY
Headline CPI	0.9	2.4
Market Sector Ex Volatile Items	0.9	2.6
Trimmed Mean CPI	0.7	2.9
Goods	1.0	1.3
Services	0.8	3.7
Non-tradables	1.6	3.2
Tradables	-0.4	0.9

The monthly CPI indicator suggested that annual inflation was steady in March, at 2.4% in headline terms and 2.7% in trimmed mean terms.

Groups

The faster increase in CPI in Q1 was mainly due to a 16.3% surge in electricity prices, as Commonwealth and state energy bill relief payments were lower than in Q4, particularly in Queensland.

Prices of food and non-alcoholic beverages rose by 1.2% in Q1, mainly due to a rebound in fruit and vegetable prices. Automotive fuel prices picked up by 1.9%, following two quarters of declines. The rise in fees for primary and secondary education was also larger than last year.

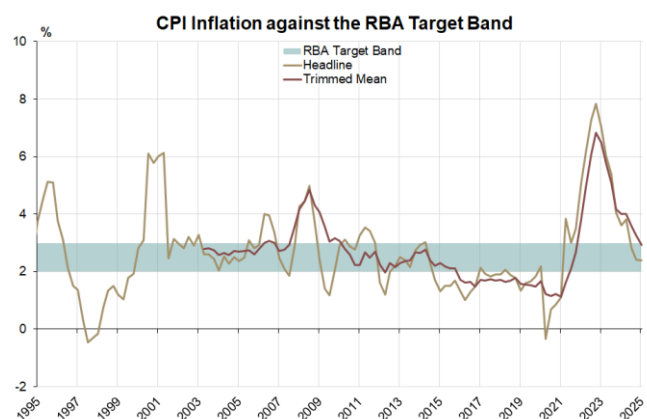
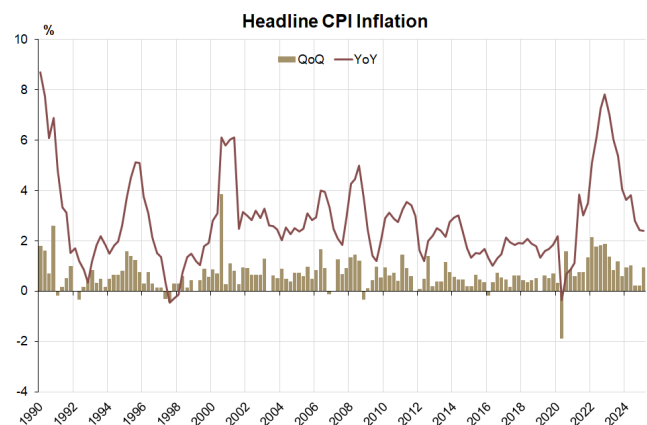
At the same time, growth in new dwelling prices and rents continued to slow in Q1, with the latter being additionally moderated by indexation of Commonwealth rent assistance payments in March.

Capital Cities

Quarterly CPI inflation ranged between 0.5% in Perth and Adelaide and 1.9% in Brisbane, where the cost of electricity rose by 34.1%. Annual inflation varied between 1.4% in Hobart and 2.8% in Perth.

Perth inflation continues to be held down by the impact of energy bill relief measures, but this is offset by gains in education, medical and hospital services, auto fuel, rents, and food.

Capital Cities (% , Original)	QoQ	YoY
Perth	0.5	2.8
Sydney	0.9	2.3
Melbourne	0.9	2.3
Brisbane	1.9	2.7
Adelaide	0.5	2.2
Hobart	0.8	1.4



Comment

Despite the slight upside surprise to Q1 figures, the March inflation report confirmed a return to the RBA target band in both headline and trimmed mean terms. Trimmed mean inflation is within the band for the first time since Q4 2021, even though it remains somewhat above the mid-point of the target band.

Both headline and trimmed mean inflation rates are roughly in line with the RBA February projections.

The RBA will also be pleased to see a further steady decline in services price inflation, as costs of insurance and rent are rising at an increasingly slower pace, even if education fees and medical services continue to see steep increases.

It appears that all the above will be enough to convince the RBA Monetary Policy Board to deliver another 25bps cut at its next meeting on 19-20 May. However, a larger 50bps adjustment is less likely, especially given the uncertainty in the environment of the Australian economy, which makes a case for preservation of some monetary policy space.

A slight upside surprise to Q1 inflation figures saw traders scale back their cash rate cut expectations for May, but a 25bps remains fully priced in.

30 April 2025