



Headline inflation beat expectations in October

- Headline inflation was flat in October on a monthly basis, lifting the annual rate to 3.8%. This was stronger than both our forecast and the market consensus for an annual rate of 3.6%.
- Market services inflation accelerated in October, with our estimate of the RBA's preferred measure increasing from 3.0% to 3.4% on an annual basis.
- The stronger-than-expected outcome for October reinforces our view that the cash rate will stay on hold for an extended period.

Headline inflation stronger-than-expected in the inaugural monthly CPI

The October CPI marks the first publication of the new monthly CPI, which replaces the now-retired monthly CPI Indicator. This new measure captures a much broader range of prices each month, aligning Australia's inflation data with international best practice and providing a more comprehensive read on monthly consumer prices.

Headline inflation was flat in October on a monthly basis, lifting the annual rate to 3.8% (chart 1). This outcome was slightly stronger than both our forecast and the market consensus for an annual rate of 3.6%.

The upside surprise was driven by stronger outcomes for market services, while clothing & footwear, and household equipment were also firmer than anticipated. In contrast, new dwelling costs eased slightly.

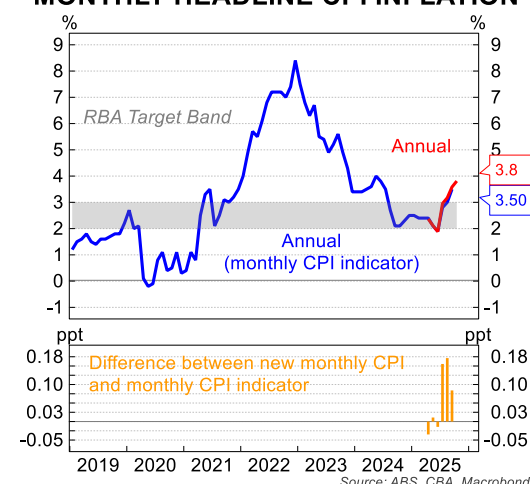
The October CPI provides new insights into inflation dynamics under the updated methodology. It indicates that annual headline inflation is running higher than suggested by the previous CPI Indicator. Similarly, the share of CPI items recording annualised growth above 3% appears larger than earlier estimates (Chart 2).

This release also introduces the new monthly trimmed-mean measure. So far, monthly trimmed-mean inflation has been tracking above the quarterly measure (Chart 3). However, given potential seasonal adjustment issues in monthly data, the RBA will continue to emphasise the quarterly trimmed-mean measure as its key gauge of underlying inflation.

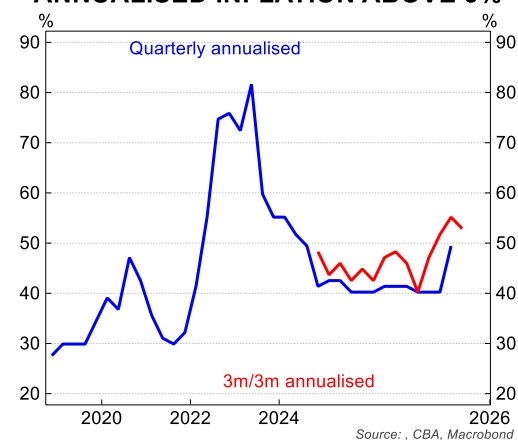
Overall, the October CPI print was a bit stronger than anticipated. While the RBA remains focused on quarterly measures, this outcome reinforces our view that the cash rate will stay on hold for an extended period. Signs of a pick-up in market services will be of particular concern for the RBA. However, the signal from this release is still far from clear. The pick-up in monthly market services inflation was largely driven by a spike in 'other recreation' prices, which makes the persistence of the rise a bit more uncertain.

Similarly, the easing of new dwelling cost inflation will provide the RBA some comfort. We do not hear from the RBA until the December meeting. But the clear risk is a switch to a more hawkish tone. Alternatively the RBA Board could maintain a straight bat given the uncertainty over how to read the new monthly data series.

1
MONTHLY HEADLINE CPI INFLATION



2.
SHARE OF CPI ITEMS WITH ANNUALISED INFLATION ABOVE 3%





The detail

Two key areas of focus for October were market services inflation and new dwelling costs.

Housing

The housing category fell by 0.8% in October, due to a sharp decline in electricity prices driven by changes in subsidy payments. New dwelling cost inflation eased, as expected, while rents inflation remained consistent with outcomes in recent months.

- Electricity prices fell by 10.2%/mth because of an increase in rebate payments in October (chart 4). The Federal rebate payment for July was delayed until October in NSW and ACT, effectively doubling the subsidy these regions received in the month. The WA rebate payment also took effect in October, putting further downward pressure on prices. Under current policy, there is expected to be a pickup in electricity prices in Q1 2026 as the rebates roll off. However, there is some uncertainty around whether the rebates could be extended in the Government's Mid-year Economic and Fiscal Outlook (MYEFO).
- New dwelling costs eased slightly in October to 0.4%/mth (chart 5). However, this follows an acceleration of new dwelling cost growth over much of this year, with annual inflation increasing from 1.5% to 1.7% in October.
- Rents rose 0.2%/mth, broadly consistent with the pace of rents growth in recent months. The scheduled indexation of Commonwealth Rent Assistance (CRA) on 20 September 2025 contributed to this outcome, with part of the impact captured in September and the remainder in October. Excluding CRA adjustments, rents would have risen 0.3% in October.

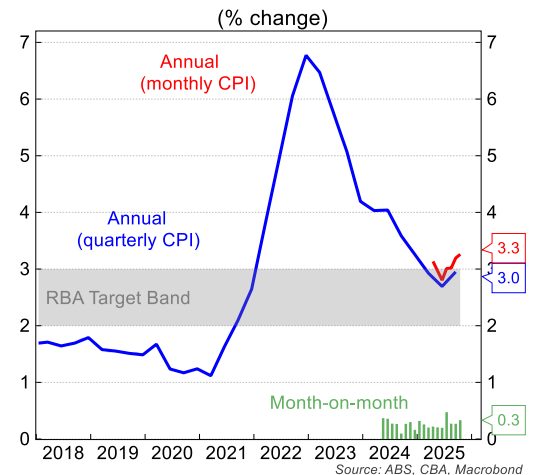
Market services

Market services is a key measure of wage-linked domestically driven inflation in the economy. Market services inflation accelerated in October, with our estimate of the RBA's preferred measure increasing from 3.0% to 3.4% on an annual basis (chart 6). On a monthly seasonally adjusted basis, we estimate that market services prices picked up to 0.5%/mth in October, from a flat outcome in September.

- Much of the increase in market services inflation reflected 'other recreational, sporting and cultural services'. These prices increased by 3.3% in October, following a 2.2% fall in September. It is not clear why these prices accelerated in the month or how persistent this increase could be.
- Insurance prices increased by 0.6%/mth in October, following a 0.3% increase in September. However, the annual rate of insurance price growth is still running well below its levels from earlier in the year. It was 2.3%/yr in October, compared to 6.0% annual growth in April.
- Dining out inflation slowed to 0.2%/mth, from 0.3%/mth in September and 0.6%/mth in August. Both restaurant and takeaway meals have seen price growth slow in recent months.
- Maintenance and services for vehicles accelerated, rising by 0.5%/mth from 0.1%/mth in September.

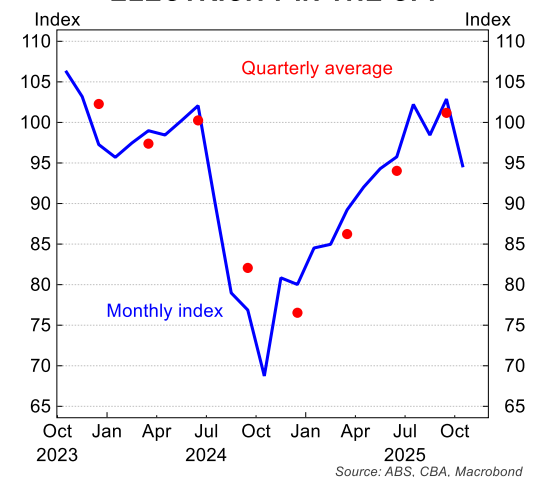
3.

TRIMMED MEAN INFLATION



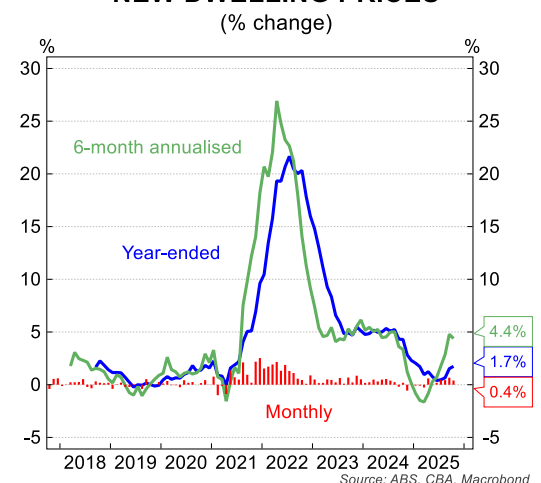
4.

ELECTRICITY IN THE CPI



5.

NEW DWELLING PRICES





Other categories

- Travel prices picked up in October on a seasonally adjusted basis, with domestic holiday travel increasing by 3.7%/mth and international holiday travel up 1.9%/mth. On an annual basis, domestic travel prices rose 7.1%/yr, up from a 4.6%/yr in September. This acceleration of annual inflation reflects high demand for travel during the school holiday periods and major sporting events.
- Furniture and household equipment inflation picked up to 0.9%/mth October, from a fall of 0.3%/mth in September. Transport prices increased by 0.3%/mth, while health eased slightly to 0.2%/mth.

6.

MARKET SERVICES INFLATION

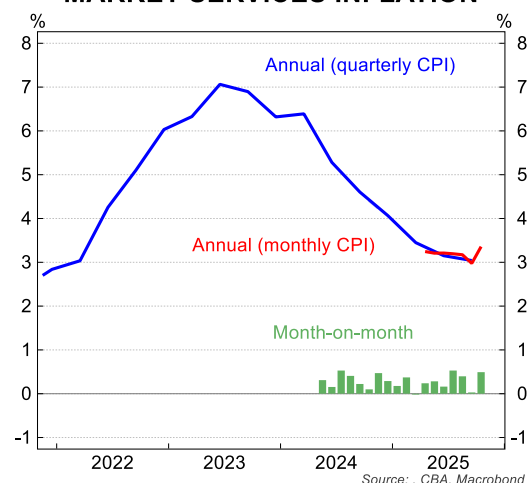


Table 1:

Monthly CPI - annual % change

	Aug 25	Sep 25	Oct 25
All groups CPI	3.2	3.6	3.8
Food and non-alcoholic beverages	3.0	3.2	3.2
Alcohol and tobacco	6.0	5.5	4.4
Clothing and footwear	4.3	3.8	5.4
Housing	4.5	5.7	5.9
New dwelling purchase	0.7	1.5	1.7
Rents	3.7	3.8	4.2
Furniture, h/hold equipment and services	1.7	1.8	2.1
Health	3.8	4.3	4.3
Transport	0.9	2.3	2.7
Automotive fuel	-1.7	2.8	1.9
Communication	1.8	1.6	0.8
Recreation and culture	1.4	1.8	3.2
Education	5.4	5.4	5.4
Insurance and financial services	2.9	2.5	2.5

Source: ABS

Table 2:

Monthly CPI - monthly % change (s.a)

	Aug 25	Sep 25	Oct 25
All groups CPI	0.2	0.4	0.3
Food and non-alcoholic beverages	0.1	0.4	0.3
Alcohol and tobacco	0.0	0.4	-0.5
Clothing and footwear	1.4	-0.3	0.5
Housing	-0.1	1.1	-0.4
New dwelling purchase	0.4	0.7	0.4
Rents	0.3	0.4	0.4
Furniture, h/hold equipment and services	0.3	-0.3	0.9
Health	0.4	0.3	0.2
Transport	0.3	0.1	0.3
Automotive fuel	0.7	0.5	-0.9
Communication	0.8	-0.5	-0.1
Recreation and culture	0.2	0.1	1.7
Education	0.4	0.4	0.4
Insurance and financial services	0.1	0.0	0.4

Source: ABS

Table 3:

Monthly CPI (analytical series, s.a.) - annual % change

	Aug 25	Sep 25	Oct 25
Trimmed mean	3.0	3.2	3.3
Weighted median	3.1	3.3	3.4
Goods	3.0	3.7	3.8
Services	3.4	3.6	3.9
Tradeables	1.3	2.0	2.2
Non-tradeables	4.2	4.5	4.8

Source: ABS

Table 4:

Monthly CPI (analytical series, s.a.) - monthly % change

	Aug 25	Sep 25	Oct 25
Trimmed mean	0.3	0.3	0.3
Weighted median	0.3	0.4	0.3
Goods	0.1	0.4	0.0
Services	0.3	0.3	0.7
Tradeables	0.2	0.1	0.5
Non-tradeables	0.2	0.5	0.2

Source: ABS



Table 5:

Monthly CPI (selected market services, s.a.) - monthly % change

	Jul 25	Aug 25	Sep 25	Oct 25
Takeaway and fast foods	0.6	0.6	0.2	0.1
Restaurant meals	0.2	0.6	0.4	0.3
Hairdressing & personal grooming	0.4	0.3	0.6	0.3
Other household services	1.1	1.3	-1.5	0.3
Maintenance & repair of vehicle	1.0	0.5	0.1	0.5
Veterinary and other services for pets	1.1	0.2	0.4	0.3
Other recreational sports & cultural services	0.6	-0.1	-2.2	3.3
Sports participation	0.6	0.3	0.2	0.4
Insurance	0.8	-0.6	0.3	0.6
D&L Facilities	0.5	0.2	-1.0	1.1
Other financial services	0.2	0.3	0.0	0.3

Source: ABS



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