

CPI February 2025

The monthly CPI indicator suggested that the annual rate of consumer price inflation ebbed 0.1ppts to 2.4% YoY in February, against market expectations of no change.

%	MoM	YoY
Headline CPI	0.0	2.4
Seasonally Adjusted Headline CPI	0.1	2.4
Goods	0.2	1.3
Services	-0.2	3.6
Tradables	-0.2	0.9
Non-tradables	0.1	3.2
Annual Trimmed Mean	-	2.7
CPI Ex Volatile Items and Holiday Travel*	0.2	2.7

*MoM changes are seasonally adjusted.

The monthly CPI index was steady in unadjusted terms and ticked up 0.1% when seasonally adjusted.

The annual inflation rate (excluding volatile items and holiday travel) fell 0.1ppts to 2.7% in February. Annual trimmed mean inflation, which is the RBA's favoured measure of underlying inflation, declined 0.1ppts to 2.7%, which is very close to the mid-point of RBA target range of 2-3%.

Groups

The strongest contribution to the decline in the annual rate of growth in the CPI indicator came from transport and housing.

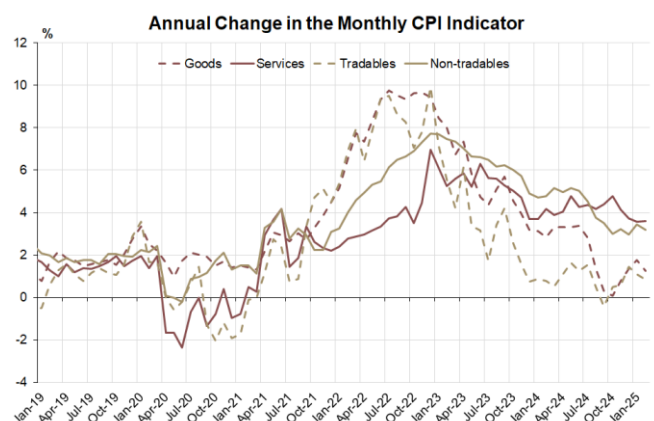
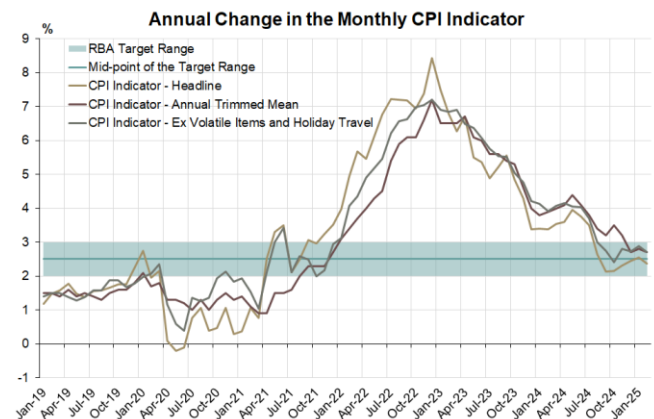
The 0.9% decline in the annual rate of transport costs was driven by lower automotive fuel prices (-5.5% YoY).

The slower annual rate of housing costs (1.8%; -0.3ppts) resulted mainly from a 13.2% YoY drop in electricity prices due to the energy bill relief measures. Without these measures, electricity prices would have fallen by 1.2% in February.

In addition, there was a slowdown in rent inflation (-0.3ppts to 5.5% YoY) and price inflation for new dwelling purchases (-0.4ppts to 1.6% YoY).

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	0.0	3.1
Alcohol and Tobacco	0.9	6.7
Clothing and Footwear	1.6	1.8
Housing	-0.1	1.8
Furnishings, Household Eq. and Serv.	0.1	1.0
Health*	0.0	4.0
Transport	0.8	-0.9
Communication	0.9	0.3
Recreation and Culture	-3.6	1.4
Education	5.1	5.6
Insurance and Financial Services	0.2	4.5

*Not updated in February.



Comment

The monthly CPI indicator suggests that headline and trimmed mean inflation will likely be comfortably within the RBA's target range when the Q1 CPI is released, with trimmed mean inflation approaching the mid-point of that range.

Only 73% of the CPI basket is updated in February. One of the categories yet to be updated is health, which generally rises more than the overall CPI.

Inflation remains relatively high for components that are more domestically driven such as services and non-tradable goods. The RBA continues to judge that the output gap - while closing - remains positive and thus excess demand is still adding to inflation.

Inflation is held down by the impacts of lower fuel prices and energy rebates. However, in its 2025-26 budget released just last night, the Commonwealth government expects inflation (excluding the impacts of lower fuel prices and energy rebates) to be sustainably in the RBA's target range by mid-2025, which is half a year earlier than previously forecast in the 2024-25 MYEFO. The Commonwealth government also assesses that the impacts of the current US tariff policies will be mild and short-lived, but could become more acute if other countries introduce retaliatory measures.

26 March 2025