



Australian CPI is now monthly, what you need to know

The Monthly CPI

- The first release is October data on 26 November. The data supersedes both the Quarterly CPI and Monthly Inflation Indicator

Callouts

- Monthly data is inherently more volatile; this should favour looking at 3m and 6m averages
- Many series have too little back history for standard seasonal adjustment; meaning we need to be alert to revisions
- Initial seasonal adjustment challenges will bleed into underlying measures; a broad range of indicators should be considered
- The RBA will still focus on the quarterly trimmed mean measure for now; monthly trimmed mean is not their 'preferred underlying indicator'

Key points for October and Q4

- September and October data will be newly published for market services categories key to the RBA's assessment of capacity
- Measured electricity prices will fall sharply in October due to the overlapping rebate payments in NSW and ACT
- We forecast Q4 trimmed mean still hot but below Q3, which was further boosted by coincident strength across volatile categories

A transition period for the RBA (first 18 months)

The RBA have indicated they will...

- forecast and put more weight on a quarterly trimmed mean calculated using historical collection frequencies
- forecast quarter average outcomes for headline inflation
- use monthly information to inform rolling assessment of inflation dynamics
- determine preferred underlying inflation measure(s) from Monthly CPI

Long term

- RBA will forecast quarter averages for the headline CPI and for a measure of underlying inflation
- The preferred underlying inflation measure or measures is up for grabs, it won't necessarily be the monthly trimmed mean

The full monthly CPI is coming 26 November

The first release will be October 2025 (published 26 November). The Monthly CPI will become Australia's primary measure of headline inflation, replacing the quarterly CPI release, and brings Australia into line with all other G20 countries.

The monthly CPI is a large improvement from the monthly CPI Indicator. It will include a full collection of each of the expenditure components each month (with the exception of a few components where prices change infrequently). That means that a full suite of analytical, exclusion-based and sub-category measures will be calculated monthly.

The ABS will publish monthly trimmed mean and weighted median series. These will not necessarily become the RBA's preferred underlying inflation gauges. Importantly, these

measures rely on monthly seasonal adjustment and so, at least initially, will be affected by challenges seasonally adjusting series with a short back history.

The RBA will continue to forecast and focus on the quarterly trimmed mean measure in the near-term. At the request of the RBA, the ABS will continue to publish the quarterly trimmed mean, using the old collection frequency, for another 18 months. In the short term, the information from the monthly will inform the rolling quarterly assessment of inflation dynamics.

This includes the monthly trimmed mean measure, which will be more informative than the now defunct annual trimmed mean measure from the discontinued CPI indicator.

Teething problems and seasonal adjustment

Under the previous approach, only 50% of the basket by weight was collected monthly. From April 2024, data has been collected monthly for an additional 37% of the basket that was previously collected only quarterly. The remainder are components with infrequent price changes. For instance, 9% are collected annually (including health insurance, education fees and property rates) and 4% is collected quarterly (other financial services).

Components that move from quarterly to monthly include most consumer durables (e.g. motor vehicles, furniture, and appliances), market services (e.g. restaurant meals and hairdressing) and administered services (e.g. child care and pharmaceuticals).

Because many components have less than 3 years of back history, the ABS assesses 25% of the basket will contain seasonality that cannot be adjusted for using standard methods. Until April 2027, they will manage seasonality using

2 methods: 15% of the CPI basket will be adjusted based on back-casted data and 10% will be managed through smoothing based on known sales periods and other seasonal price influences.

The consequence is that residual seasonality is likely, revisions to seasonally adjusted data will be more common, and the smoothing process may mask some signal in non-seasonal price movements. These challenges will flow directly into underlying or other analytical measures that rely on seasonally adjusted data, including the trimmed mean.

Additional technical detail can be found from the ABS on the methodology ([Complete monthly measure of the CPI | Australian Bureau of Statistics](#)) and from the RBA on their approach ([Technical Note: The Transition to a Complete Monthly CPI | Statement on Monetary Policy – November 2025 | RBA](#))

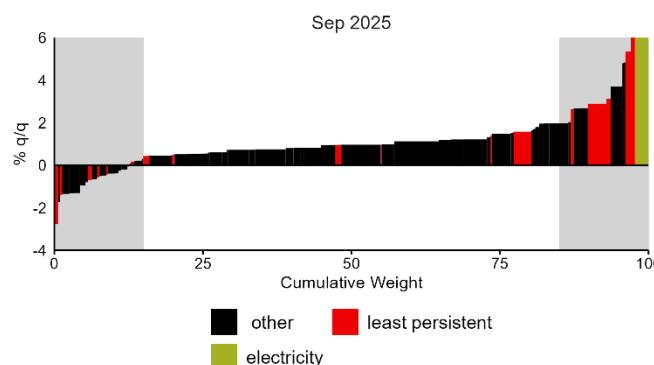
Why our (and the RBA's) Q4 trimmed mean forecast is lower than Q3

The strength of Q3 inflation was broad based, but as we noted in our [CPI note](#), it was a combination of reacceleration across components that tend to be persistent, and large price rises in components that are volatile quarter to quarter that conspired to deliver the very elevated Q3 inflation outcome.

The chart highlights where electricity, and the 15% of the basket that are least persistent (all of the red components are mildly negatively correlated with the prior quarter's outcome). The skew introduced into the distribution affects the trimmed mean. To illustrate, if fuel and electricity prices were flat in the quarter, trimmed mean would have been 15bp lower.

Electricity prices rose sharply as rebates unwound, and are set to do so again as the federal government energy bill relief scheme rolls off in early 2026 (Treasurer Chalmers has recently indicated this might be wound down more gradually than the current concentrated impact in Q1 2026). But for Q4 at least, they look set for a small measured decline.

Distribution of CPI Price Changes



NAB forecasts a partial reversal in the trimmed mean in Q4 (to a still high uncomfortably high 0.8% qoq) factors in that trimmed mean math. The RBA was marginally more optimistic, with an implied forecast of about 0.75.

What to watch for in October for whether CPI will surprise higher again

Key components of the substantive inflation surprise in Q3 were new dwelling costs and services components.

The monthly evolution of new dwelling costs was already available in the CPI Indicator and will continue to be available. If it falls back below 0.3% mom that would be encouraging for the RBA. Another strong outcome could add 5bp or so to quarterly trimmed mean, but additional upside is limited given it looks on track to annualise around 5% in Q4.

September and October monthly outcomes will be released for a range of market services components. Most market services prices were only measured quarterly, and usually in the mid-month of the quarter. We will get 2 monthly data points since the strong August outcomes and where a further acceleration would point to an upside surprise. Note that Q4 trimmed mean will be based on the August to November change for those components, two thirds of which will be

published on 26 November. With back history provided to April 2024, we also get a more granular description of the evolution of services prices over recent quarters. That will feed into the RBA's meandering assessment of spare capacity.

As highlighted above though, developments on large components that can move around a lot quarter to quarter could again skew the outcome. An only small seasonal fallback in international travel prices, or a larger than usual rise in domestic travel, could drive a high side of the RBA's forecast.

On the other hand, electricity will be on the low side of the trim in Q4. WA rebates were paid from 11 October, and delayed payments of the first EBRF extension instalment means NSW and ACT will see large, temporary, measured price falls in the October month.

How NAB Economics will monitor the data going forward

We will use the monthly data as a guide to inflation dynamics but will also be translating it back to the quarterly concept to assess how it is tracking against the RBA's published forecasts. For the time being, this will be in quarterly trimmed mean terms based on the historical measurement frequency.

More inherent volatility in monthly data means 3- and 6-month averages will get more focus, and additional caution will be needed initially due to challenges with seasonal adjustment given short back history for many components.

As well as headline results and key drivers, we will present:

- Breakdowns of drivers by different categories (durable goods, grocery, market services etc)
- An expanded set of analytical series (tradables, cyclical, persistence etc).
- A suite of underlying indicators (trimmed mean, weighted median, excluding volatiles, etc)

Not all trimmed means are equal, new preferred underlying measure to be determined

Monthly trimmed mean will be introduced with the full monthly CPI. It uses the trim of the distribution of *monthly* seasonally adjusted price changes.

Quarterly trimmed mean is the established series, and the one the RBA's underlying forecast currently references. It uses the trim of the distribution of seasonally adjusted *quarterly* price changes. The ABS will continue to publish quarterly trimmed mean based on the historical collection frequency for at least 18 months.

Annual trimmed mean is the different, less informative, measure which was included in the Monthly CPI Indicator and will now be discontinued. It uses the trim of the distribution of *annual* price changes

The ABS has done preliminary analysis showing that the quarter average change in the monthly trimmed mean is close to the quarterly trimmed mean. It was 5bp above in Q3 2025, 1bp below in Q4, and 2bp below in Q1. But the monthly

trimmed mean is new and at least initially won't carry the same weight as the long-established quarterly version. It will also be more subject to revision initially until seasonal adjustment settles.

The RBA targets headline inflation, but its assessment of underlying inflation over the past decade or so has placed most emphasis on quarterly trimmed mean. The ABS benchmarked the new trimmed mean indicator against the quarterly trimmed mean, but it is not a 'by rights' replacement.

The RBA has said they will "*assess the relative strengths and weaknesses of the various measures of underlying inflation. The assessment will be based on performance in forecasting frameworks and against criteria "including that it is unbiased with respect to headline inflation, helps to predict near-term headline inflation, and tracks a trend measure of headline inflation over time"*

Comparative approaches to underlying inflation

The RBA's preference for trimmed mean inflation measures has a long history. The then head of economic analysis Tony Richards back in 2006 outlined research concluding that "*trimmed means tend to outperform headline and exclusion-based 'core' measures on a range of different criteria*" ([Measuring Underlying Inflation, 2006](#)). The extent of their focus on trimmed mean is unusual among central banks. Although all look at a range of measures, most central banks that explicitly forecast a core or underlying measure forecast an exclusion-based measure (i.e., excluding food and energy or similar).

Central Bank	Underlying/core CPI forecast	Underlying measures monitored
Bank of Canada	Average of CPI-trim and CPI-median	Trimmed mean, median, and exclusion-based
Bank of England	No	Range of exclusion-based measures
Bank of Japan	Exclusion-based	Trimmed mean, weighted median, mode, and diffusion index
European Central Bank	Exclusion-based	Trimmed mean, weighted median, persistent and common core
Federal Reserve	Exclusion-based	Trimmed mean, weighted median, and factor model
Norges Bank	Exclusion-based	Trimmed mean, weighted median, domestic goods and services, and imported goods
Reserve Bank of New Zealand	No	Factor model, trimmed mean, variance-adjusted, exclusion-based, and tradables and non-tradables
Sveriges Riksbank	Exclusion-based	Trimmed mean, weighted median, volatility weighted, factor model
Swiss National Bank	No	Trimmed mean, exclusion-based

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