

CPI October 2024

The monthly CPI indicator suggested that annual inflation was steady at 2.1% in October, which is the lowest level since July 2021. The market expectation was for a 0.4ppts rise to 2.5%.

%	MoM	YoY
Headline CPI	-0.3	2.1
Seasonally Adjusted Headline CPI	0.1	2.3
Goods	-0.3	0.1
Services	-0.3	4.8
Tradables	-0.7	0.5
Non-tradables	-0.2	3.0
Annual Trimmed Mean	-	3.5
CPI Ex Volatile Items and Holiday Travel*	-0.2	2.4

*MoM changes are seasonally adjusted.

The monthly CPI index declined by 0.3% in unadjusted terms but was 0.1% higher when seasonally adjusted. This was the first increase in four months.

The CPI excluding volatile items and holiday travel declined 0.3% in the month, taking the annual growth rate down 0.1ppts to 2.6%, the lowest level since November 2021. However, annual trimmed mean inflation, which is the RBA's favoured measure of underlying inflation, rose 0.3ppts to 3.5%.

Groups

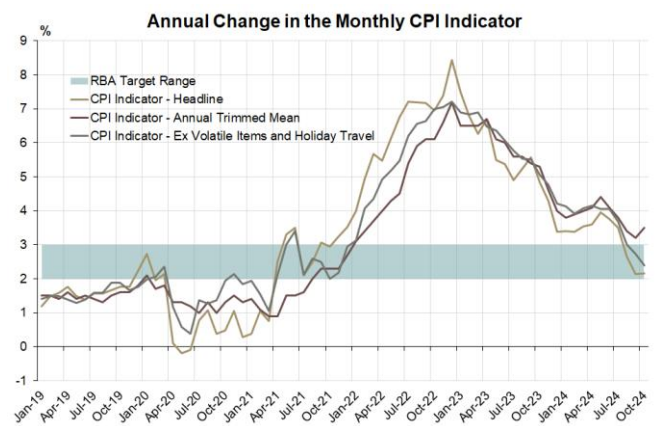
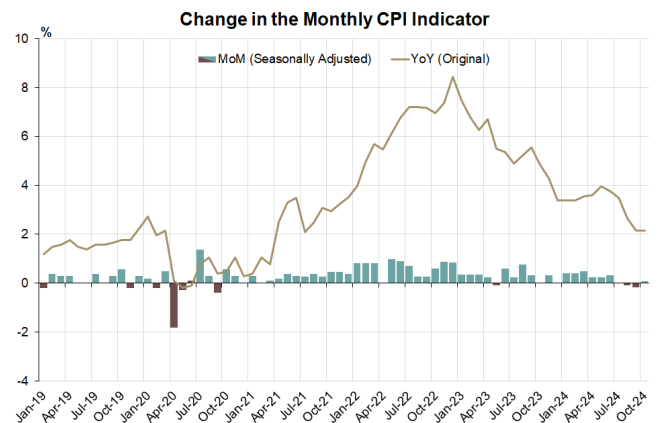
The steady annual consumer price inflation in October resulted from a faster rate in holiday travel and accommodation stemming from base effects, fully offsetting the impacts of a fall in automotive fuel prices and lower out-of-pocket expenses on electricity resulting from government bill relief measures.

Electricity costs fell 35.6% over the year to October, driven by Commonwealth and state bill relief measures. Housing costs rose just 0.2% YoY as lower electricity costs almost fully offset increases in new dwelling prices (+4.2% YoY) and rents (+6.7% YoY). If not for Commonwealth rent assistance, rents would have increased 8.1% YoY.

Auto fuel prices declined 11.5% YoY, reflecting lower oil prices, driving a 2.8% annual fall in transport costs.

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	0.1	3.3
Alcohol and Tobacco	1.0	6.0
Clothing and Footwear	0.4	0.6
Housing	-1.0	0.2
Furnishings, Household Eq. and Serv.	-0.6	1.6
Health*	0.0	3.9
Transport	0.0	-2.8
Communication	0.2	-0.7
Recreation and Culture	-1.3	4.3
Education**	-0.1	6.3
Insurance and Financial Services	0.2	6.3

*Not updated in October. **Reflects downward revisions to preschool and primary education.



Comment

The downside surprise to the monthly CPI indicator in October is promising. However, it is important to bear in mind that in the first month of the quarter only 62% of the basket is updated.

The headline rate of inflation is being held down below the mid-point of the RBA target range by the impact of household electricity bill relief measures that are being rolled out by Commonwealth and state governments. Lower fuel prices and, to a lesser extent, the revision to the impact of the childcare subsidy, also helped lower the headline.

At the same time, annual trimmed mean inflation, which is followed by the RBA, picked up and remains above the target range. Services price inflation, in which components are only sparsely updated in October, picked up to a five-month high of 4.8%, though partly due to the low base effects in holiday travel and accommodation. Non-tradables price inflation slowed to 3.0% in October, a pace unseen since November 2021.

The monthly CPI indicator figures had no meaningful impact on the market, with the first cash rate cut still not fully priced until May 2025.

27 November 2024