

The monthly CPI indicator suggested that the annual rate of consumer price inflation declined 0.3ppts to a four-month low of 3.5% in July. The market participants expected a slightly larger decline, to 3.4%.

	%	MoM	YoY
Headline CPI*		0.0	3.5
Goods		-0.1	2.8
Services		-0.1	4.4
Tradables		-0.2	1.5
Non-tradables		0.0	4.5
Annual Trimmed Mean		-	3.8
CPI Ex Volatile Items and Holiday Travel*		0.1	3.7

\*MoM changes are seasonally adjusted.

The seasonally adjusted monthly CPI index was unchanged in July.

The annual rate of increase in the CPI indicator excluding volatile items and holiday travel declined 0.3ppts to 3.7%, which is the lowest level since January 2022. Annual trimmed mean inflation, which is the RBA's favoured measure of underlying price growth, fell to a six-month low of 3.8%.

### Groups

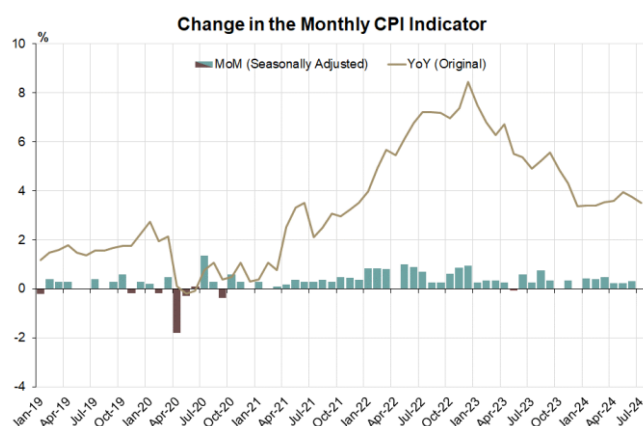
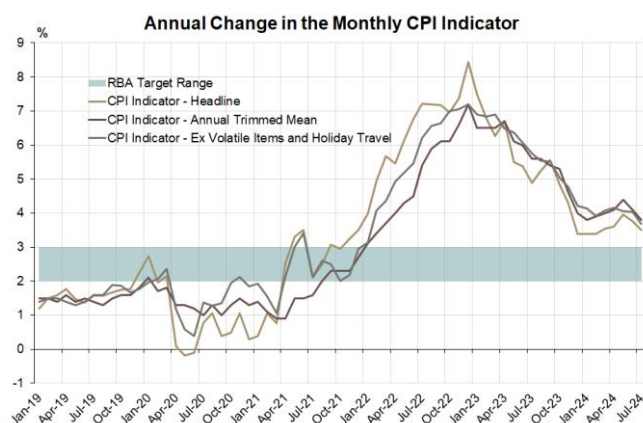
Housing, food and non-alcoholic beverages as well as alcohol and tobacco remained the most significant contributors to the rise in consumer prices over the year to July.

Consumer price growth for the housing category slowed to 4.0%, only slightly above the series average. This was thanks to softer increases in rents and new dwellings, and electricity price growth turning negative.

The fall in electricity prices resulted from the start of Commonwealth Energy Bill Relief Fund rebates in Queensland and Western Australia, as well as separate rebates rolled out in by state governments in Western Australia, Queensland and Tasmania. Absent these rebates, electricity prices would have risen by 16.5% since June 2023.

	%, Original	MoM	YoY
Food and Non-alcoholic Beverages		0.4	3.8
Alcohol and Tobacco		0.3	7.2
Clothing and Footwear		0.9	1.9
Housing		-0.1	4.0
Furnishings, Household Eq. and Serv.		0.3	-0.9
Health*		0.0	5.3
Transport		-0.8	3.4
Communication		1.7	1.9
Recreation and Culture		-1.1	1.1
Education*		0.0	5.6
Insurance and Financial Services		0.0	6.4

\*Not updated in July.



### Comment

The headline consumer price inflation figures over the next year will be distorted by the impacts of household electricity relief measures, with states other than Western Australia and Queensland yet to see Commonwealth bill rebates.

Therefore, it is useful to look at underlying inflation measures, such as the annual trimmed mean, which declined back to 3.8%. However, this is still well above the RBA's target range of 2-3%, and is unlikely to change the RBA's stance of not ruling anything 'in or out' in terms of changes to the cash rate.

In the monthly CPI indicator, only 62% of the basket is updated in the first month of each quarter, and the focus is more on goods than on services. Meanwhile, it is services price inflation that remains the major concern for the RBA. Inflation for services prices that were updated by the ABS in July saw a slight 0.1ppts uptick to 4.4%.

Cash rate cut expectations were trimmed slightly after the CPI indicator report, but the market is still almost fully pricing in a 25bps cut in December, despite recent RBA communication that they don't expect to cut rates for at least six months.

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