

CPI September & Q3 2024

The headline CPI (unadjusted) rose 0.2% in Q3 2024, taking the annual rate of inflation 1 percentage point lower to 2.8%. The quarterly and annual increases were slightly smaller than expected by the market consensus (0.3% QoQ and 2.9% YoY).

The annual rate of headline CPI inflation is back in the RBA target range of 2-3%, for the first time since 2021.

However, trimmed mean inflation, which is the RBA's favourite underlying price gauge, was 0.8% in the quarter and 3.5% through the year, in line with expectations. Therefore, annual trimmed mean inflation remains somewhat above the RBA's target range.

%, Original	QoQ	YoY
Headline CPI	0.2	2.8
Market Sector Ex Volatile Items	0.5	3.1
Trimmed Mean CPI	0.8	3.5
Goods	-0.6	1.4
Services	1.1	4.6
Non-tradables	0.5	4.1
Tradables	-0.2	0.6

The monthly CPI indicator suggested that headline inflation eased to 2.1% in September (mkt exp.: 2.3%), while trimmed mean inflation declined to 3.2%.

Groups

Consumer price inflation in Q3 was limited mainly by state and Commonwealth household electricity bill relief, which drove electricity costs to households down 17.3% in the quarter. Without these measures, electricity expenses would have risen by 0.7% in Q3.

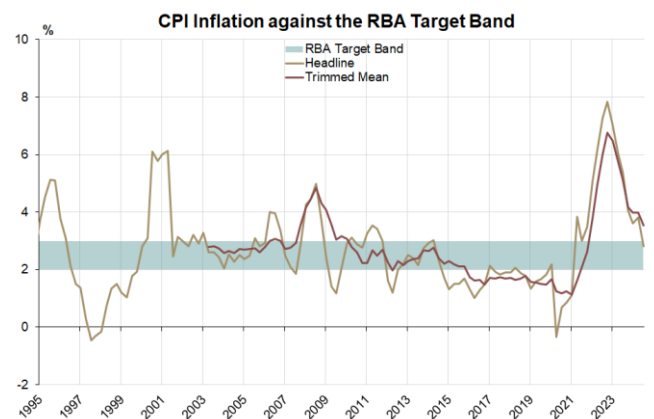
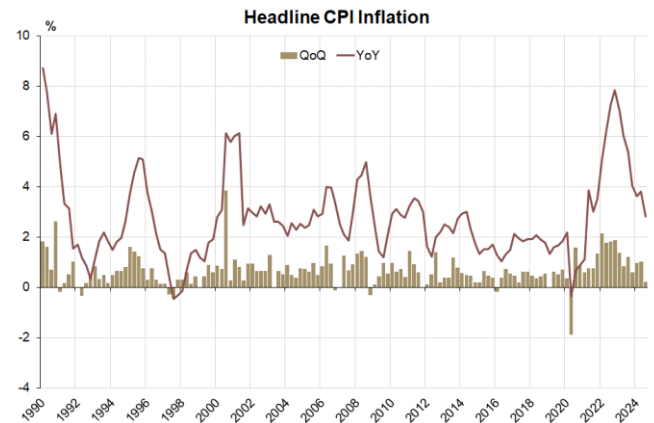
Other items contributing to lower inflation were falls in automotive fuel prices (-6.7% QoQ), health (-0.1%), and clothing and footwear (-0.7% QoQ).

Capital Cities

Q3 2024 saw a decline in the CPI in Brisbane, Hobart and Perth, where state governments rolled out their own energy bill relief measures. Other capital cities saw increases in consumer prices in the quarter, with a smaller scale of decline in electricity costs.

The annual rates of inflation ranged between 0.7% in Hobart and 3.8% in Perth. The major contributors to the annual rate of Perth inflation included the cost of new dwellings (+19.1% YoY), rents (+10.0% YoY), and insurance (+16.1% YoY).

Capital Cities (% , Original)	QoQ	YoY
Perth	-0.4	3.8
Sydney	0.5	2.9
Melbourne	0.7	3.0
Brisbane	-0.9	1.8
Adelaide	0.5	3.2
Hobart	-1.1	0.7



Comment

The annual rate of observed headline inflation is back in the target range, but this was due to the impacts of household electricity credits. As these credits expire next year, this impact will be unwound, resulting in a renewed increase in measured inflation.

At the same time, the underlying measures of inflation remain somewhat above the target band. However, progress over the past two years has been significant and underlying inflation is gradually approaching the upper bound of 3%. What is more, disinflation is broadening, with more than half of subgroups seeing a slowdown in price growth and less than half being above the target band.

Inflation remains sticky for services and non-tradables. The annual rate of services inflation ticked up 0.1ppts to 4.6% YoY. Non-tradables price inflation dropped 0.9ppts due to electricity costs, to a still high 4.1% YoY.

The September inflation figures came in line with expectations, and so had no impact on the market. The RBA has been clear that they will look through the decline in headline inflation caused by the impacts of household electricity credits. An RBA cash rate cut is still not fully priced in before Q2 2025.

30 October 2024