

# CPI November 2024

The monthly CPI indicator suggested that annual inflation picked up to 2.3% in November after being steady at 2.1% in the previous two months, the lowest level since July 2021. The consensus market expectation was for an increase to 2.2%.

%	MoM	YoY
Headline CPI	0.5	2.3
Seasonally Adjusted Headline CPI*	0.5	2.5
Goods	0.9	0.8
Services	0.1	4.2
Tradables	0.2	0.6
Non-tradables	0.7	3.2
Annual Trimmed Mean	-	3.2
CPI Ex Volatile Items & Holiday Travel*	0.6	2.8

\*MoM changes are seasonally adjusted.

The monthly CPI index increased 0.5% in original and seasonally adjusted terms. This was driven by a 0.9% increase in the goods price index as less electricity bill rebates were received in November than in October, pushing the energy price index up 22.4% for the month. As a result, the annual decline in electricity prices eased to 21.5% from 35.6%. The services price index edged up 0.1%, with annual inflation falling 0.6ppts to 4.2%.

Of the core measures, the CPI excluding volatile items and holiday travel rose 0.6% in the month, with annual growth rising 0.4ppts to 2.8%. However, annual trimmed mean inflation – the RBA's favoured measure of underlying inflation – slowed 0.3ppts to 3.2%, equal to the slowest rate since January 2022.

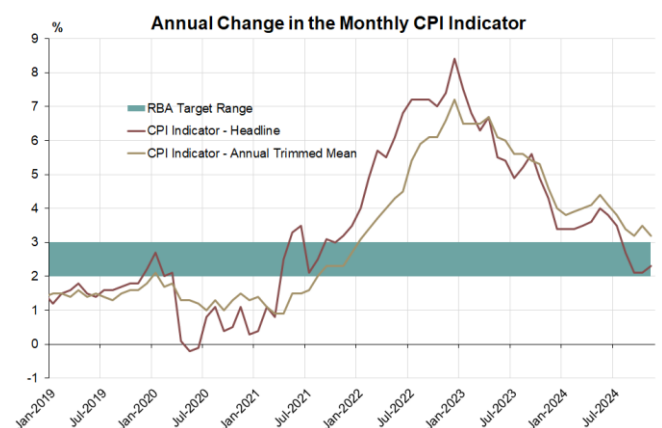
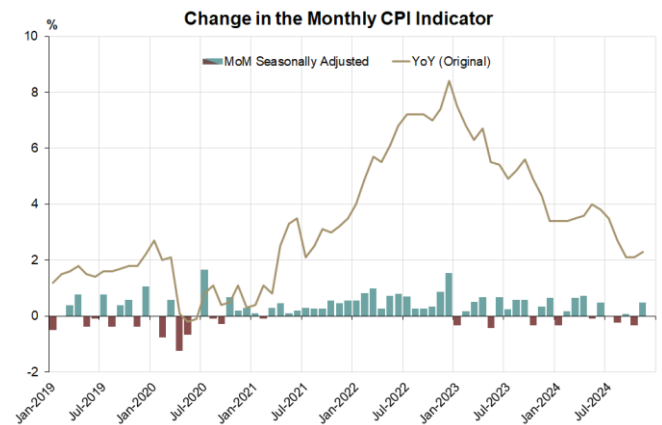
## Groups

The major contributors to annual inflation were increases in food and non-alcoholic beverages (2.9%), alcohol and tobacco (6.7%) and recreation and culture (3.2%). These were partly offset by the decline in the electricity index (-21.5%) and automotive fuel (-10.2%).

The annual pace of rent inflation eased 0.1ppts to 6.6%, while owner-occupier dwelling purchase cost inflation fell 1.4ppts to 2.8%. Both have been major contributors to CPI inflation since 2021.

%, 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 market was buoyed by the slide in trimmed mean inflation, with bond yields falling back as traders increased their bets on a cash rate cut at the first RBA Board meeting for 2025 on 17-18 February. Cash rate futures pricing for a 25bps February rate cut has increased to be currently 78%, up from around 67% prior to the release.

Traders have been slowly increasing their pricing for a February interest rate cut since the RBA Board shifted to more dovish messaging after its December meeting, with the Board saying the upside risks to inflation have diminished and the downside risks to activity have increased.

Nevertheless, while the Board will welcome further evidence that underlying inflation is slowly easing, the monthly CPI indicator is compiled from incomplete data, and the RBA will put far more weight on the quarterly CPI. The Q4 CPI will be released on 29 January.

Next week's release of the December labour force report will also be a key piece of data ahead of the February meeting, with the RBA continuing to view the unemployment rate as below the level consistent with meeting the inflation target.

**8 January 2025**