

The monthly CPI indicator signalled a 0.8ppts fall in the annual rate of consumer price inflation to a three-year low of 2.7% in August. The decline was in line with expectations as government electricity rebates reduced the cost of power for households.

%	MoM	YoY
Headline CPI	-0.2	2.7
Seasonally Adjusted Headline CPI*	-0.1	2.7
Goods	-0.5	1.4
Services	0.2	4.2
Tradables	-0.2	0.5
Non-tradables	-0.2	3.8
Annual Trimmed Mean	-	3.4
CPI Ex Volatile Items & Holiday Travel*	-0.1	3.0

*MoM changes are seasonally adjusted.

The seasonally adjusted monthly CPI index fell 0.1% in August.

The CPI indicator excluding volatile items and holiday travel also fell a seasonally adjusted 0.1% in the month with the annual rate falling 0.7ppts to 3.0%, which is the lowest level since January 2022. Annual trimmed mean inflation, which is the RBA's favoured measure of underlying price growth, fell 0.4ppts to 3.4%, the lowest level since February 2022.

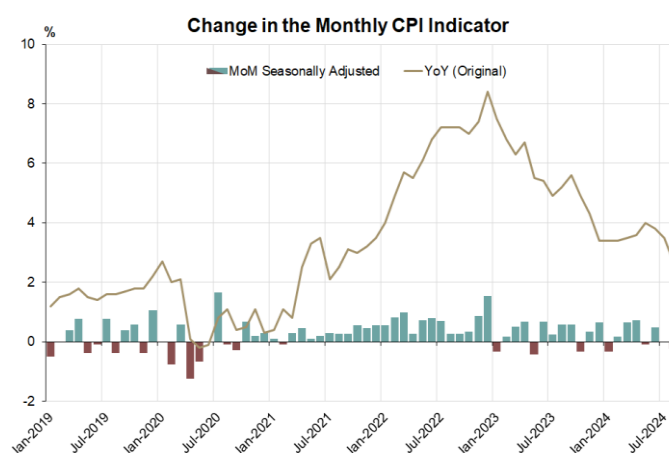
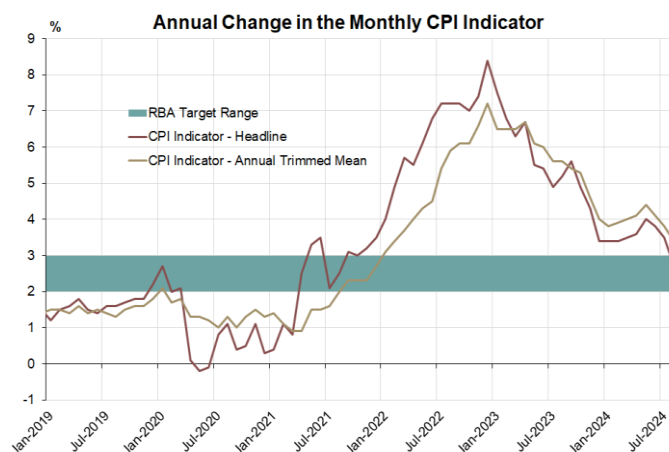
Groups

The impact of Commonwealth and State Government energy bill relief was the biggest driver of the fall in headline inflation, with the electricity index falling 14.6% in the month to be down 17.9% YoY. The fall offset a 0.6% increase in the rent index (+6.8% YoY), a 0.1% rise in new dwelling purchase costs (+5.1% YoY) and a 0.9% increase in prices for gas and other household fuels (+3.2% YoY), dragging the housing component 1.3% lower in the month. Falling auto fuel costs (-7.6% YoY) also helped lower the inflation rate.

This was offset to some extent by increases in food and non-alcoholic beverages, and alcohol and tobacco.

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	0.5	3.4
Alcohol and Tobacco	0.6	6.6
Clothing and Footwear	-0.4	1.7
Housing	-1.3	2.6
Furnishings, Household Eq. and Serv.	0.3	-0.9
Health	0.0	5.3
Transport	-0.8	-1.1
Communication	-0.4	-0.2
Recreation and Culture	-0.2	2.5
Education*	0.1	5.4
Insurance and Financial Services	0.5	6.2

*Updated once a year



Comment

As expected, the monthly CPI indicator saw a big fall in inflation, with electricity rebates slicing around 0.4ppts from the annual headline inflation rate.

The decline is in line with RBA expectations that the rebates will put downward pressure on headline inflation over the next 12 months but for inflation to rebound again toward the end of 2025, as the impact of the rebates drop out of the calculation.

The RBA is likely to be pleased by the further fall in the trimmed mean measure of underlying inflation after it picked up through the first half of the year.

On the less positive note, while annual services price inflation eased 0.2ppts to 4.2%, progress remains painfully slow, although that isn't being helped by ongoing strong rent increases.

The CPI will have no impact on the near-term policy outlook for the RBA and doesn't appear to have moved the dial on trader expectations. The market is currently still pricing in around an 80% probability of a 25bps cut this year, as it was earlier this morning.

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