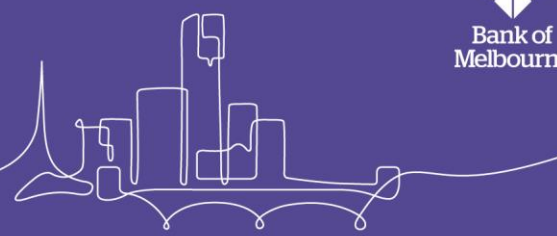




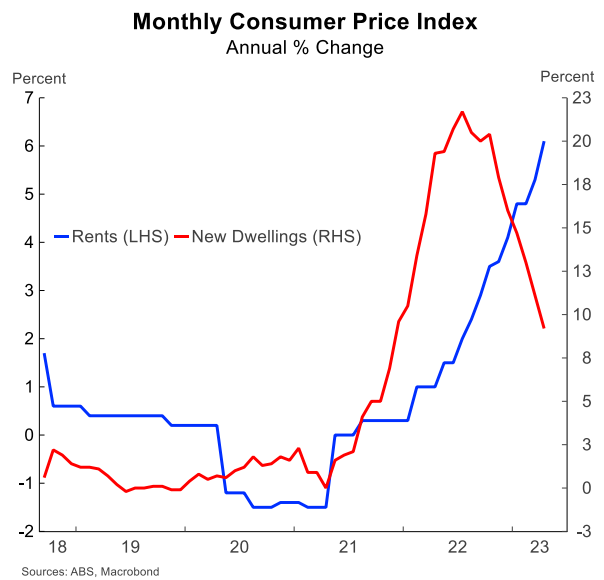
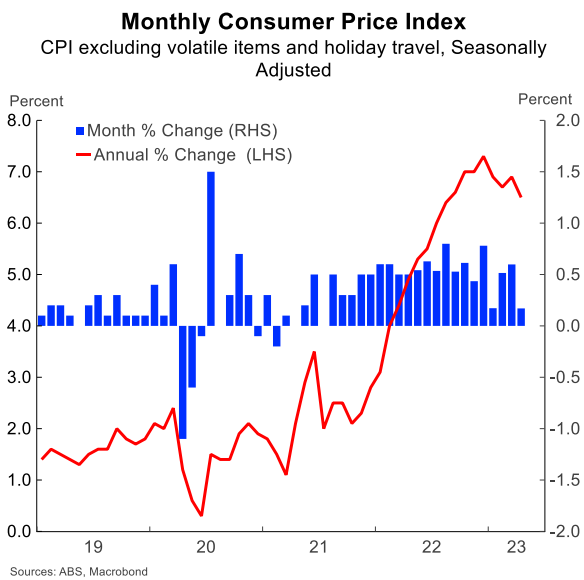
Wednesday, 31 May 2023



CPI Monthly Indicator

Mixed Signals, Rents Clearly Up

- The monthly consumer price index (CPI) indicator rose 6.8% over the year to April, from the 6.3% in March. The Australian Bureau of Statistics (ABS) notes that a “significant contributor to the increase” was the fuel excise cut, which reduced the price of fuel in April 2022.
- When adjusting for volatile items and holiday travel, the seasonally adjusted indicator shows a 6.5% increase in annual terms, down from the 6.9% recorded in March, and down from the peak of 7.3% recorded in December. The seasonally adjusted indicator rose by 0.2% over the month of April, which was the slowest monthly growth rate since July 2021.
- On the other hand, the annual trimmed measure, which dampens the impact of bigger price movements, increased to 6.7% in April, from 6.5% in March.
- Housing (+8.9), food and non-alcoholic beverages (+7.9%) and transport (+7.1%) continue to be the largest contributors to inflation. Prices for holiday travel and accommodation increased over April following significant falls over the March quarter. A seasonal pick-up in demand due to Easter and school holidays supported prices.
- While housing inflation continues to ease from the peak recorded late last year, the composition is shifting with rents accelerating to 6.1% in annual terms, the strongest pace going back to 2017 (start of the monthly indicator). The cost of new dwelling continues to moderate. As the double-digit growth in advertised rents are passed through to the stock of rental properties, we expect rents as measured by the CPI to accelerate further.
- What does this mean for the Reserve Bank? We continue to expect that the cash rate will stay on hold next week. In contrast, interest-rate markets have attached a higher probability to a rate hike after today’s inflation data.



- Today's results make it particularly tricky to get an underlying read given the large impact of policy, seasonality in the data and many of the services prices that drove inflation over the March quarter (medical and hospital services, education, financial services – see table) were not updated for April – they are either updated quarterly or once a year. The June quarter inflation report will therefore provide a clearer underlying read.

Table 1: Monthly Expenditure class data

| Index name | Monthly % Change | | | Annual % Change | Frequency |
|---|------------------|--------|--------|-----------------|--------------|
| | Feb-23 | Mar-23 | Apr-23 | Apr22 to Apr23 | |
| Child care | imp | 2 | imp | 5.9 | Quarterly |
| Hairdressing & personal grooming | 1.4 | imp | imp | 6.4 | Quarterly |
| Other household services | 1.3 | imp | imp | 9.4 | Quarterly |
| Medical & hospital services | imp | 2.4 | 0.2 | 5.8 | Quarterly*** |
| Dental services | imp | 0.8 | imp | 3.7 | Quarterly |
| Maintenance & repair of vehicle | 0.7 | imp | imp | 5.5 | Quarterly |
| Other services in respect of motor vehicle | 0.5 | imp | imp | 3 | Quarterly |
| Sports participation | 0.7 | -0.8 | imp | 3.8 | Quarterly |
| Other recreational sports & cultural services | 0.5 | imp | imp | 0 | Quarterly |
| Preschool & primary education | -0.7 | -0.1 | imp | -0.2 | Quarterly*** |
| Secondary education | 4.9 | imp | imp | 4.9 | Quarterly*** |
| Tertiary education | 9.7 | imp | imp | 9.6 | Quarterly*** |
| Insurance | 3.5 | imp | imp | 8.7 | Quarterly |
| Other financial services | imp | 1.5 | imp | 6.6 | Quarterly |

Notes:

Imp = Imputed, i.e. prices not collected in the month.

*** = measured quarterly and/or typically changes once per year.

Pat Bustamante, Senior Economist

Ph: +61 468 571 786

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Jarek Kowcza

Jarek.kowcza@bankofmelbourne.com.au

0481 476 436

Senior Economist

Pat Bustamante

pat.bustamante@bankofmelbourne.com.au

0468 571 786

Economist

Jameson Coombs

jameson.coombs@bankofmelbourne.com.au

0401 102 789

The Detail

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