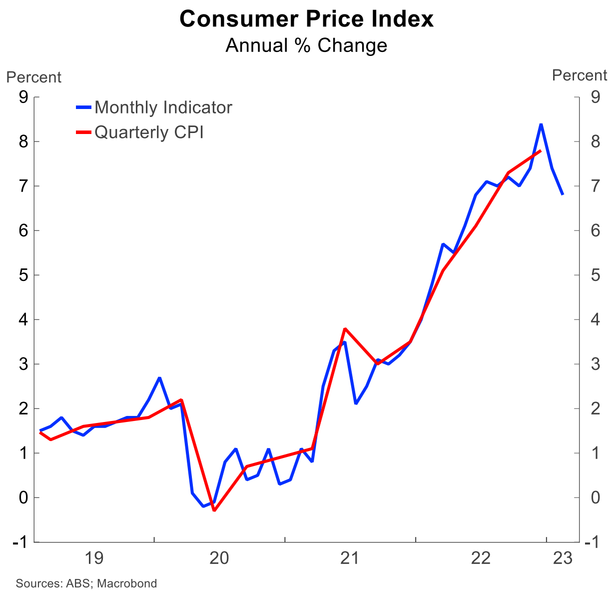
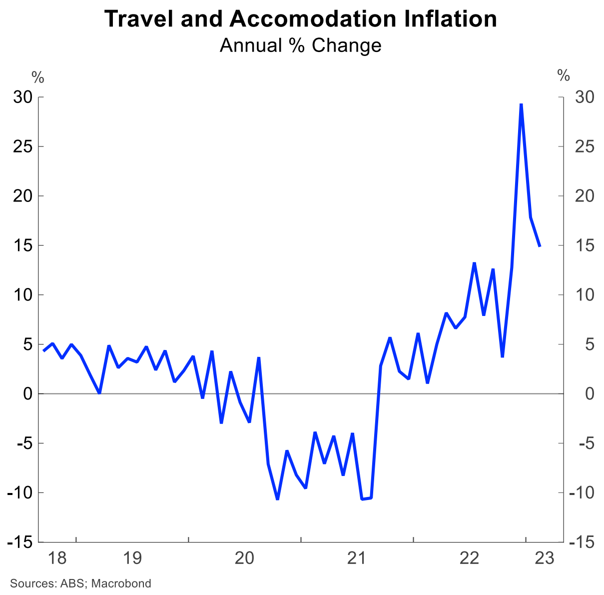
Wednesday, 29 March 2023

CPI Monthly Indicator

Prices Play into RBA Pause

- **The monthly consumer price index (CPI) indicator rose 6.8% over the year to February, well below consensus expectations for a 7.2% gain. The measure has now fallen 1.6 percentage points since December, suggesting disinflation is beginning to take effect.**
- **Housing (+9.9), food and non-alcoholic beverages (+8.0%) and transport (+5.6%) continue to be the largest contributors to elevated inflation. However, we are starting to see progress being made in these categories.**
- **Prices for holiday travel and accommodation have eased rapidly over the first two months of 2023. This follows large spikes into the end of 2022, as people took to the skies at any price. This category accounted for much of the upside surprise that spooked the RBA in the December quarter inflation report.**
- **Government policies remain a prominent theme in the inflation story. Prices for new dwelling construction and electricity are coming off the boil as HomeBuilder continues to unwind and energy market intervention releases the pressure valve. Automotive fuel prices have also normalised after ructions from the reintroduction of the full rate of the fuel excise.**
- **Based on the January and February monthly readings, we expect quarterly inflation to slow to 1.3% in the March quarter. If this comes to fruition, it would be the softest quarterly increase in inflation since the December quarter of 2021.**
- **The monthly inflation indicator continues to support the view that inflation peaked in the December quarter and points to positive progress on reigning in price pressures. This adds to the weight of evidence suggesting the RBA is likely to pause its rate hike cycle next week.**





Contact Listing

Chief Economist
Besa Deda
dedab@stgeorge.com.au
(02) 8254 3251

Senior Economist
Jarek Kowcza
Jarek.kowcza@stgeorge.com.au
0481 476 436

Senior Economist
Pat Bustamante
pat.bustamante@stgeorge.com.au
0468 571 786

Economist
Jameson Coombs
jameson.coombs@stgeorge.com.au
0401 102 789