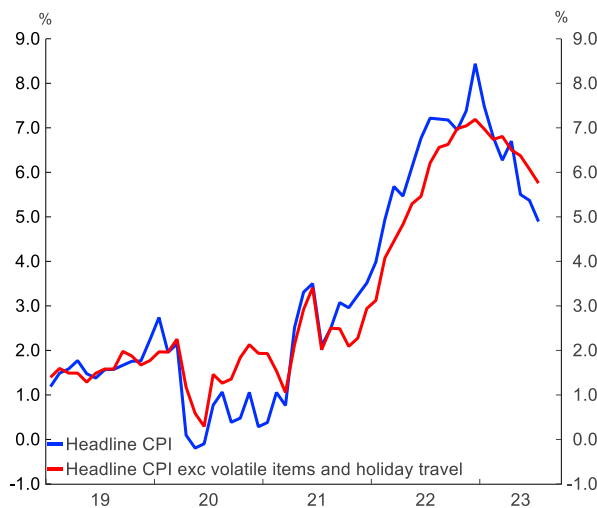


CPI Monthly Indicator

Disinflation Despite Cost Pressures

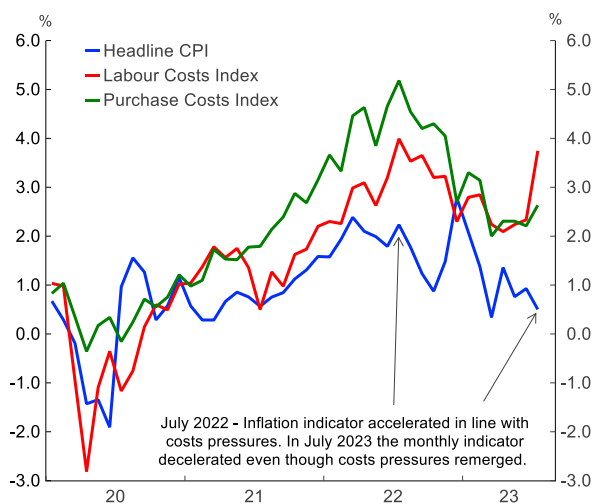
- The monthly consumer price index (CPI) indicator continues to moderate, growing by 4.9% over the year to July, down from the 5.4% recorded in June – this was the lowest annual growth rate since January 2022.
- When adjusting for volatile items and holiday travel, the indicator shows a 5.8% increase in annual terms, down from the 6.1% recorded in June – this was the lowest annual growth rate since June 2022.
- Disinflation in the headline number was driven by goods, particularly fruit and vegetables, fuel, and household items, with international holiday travel also contributing. This was more than enough to offset the 6.0% monthly increase in electricity which would have been 19.2% without government rebates.
- The July inflation indicator was an important read. Business surveys suggests cost pressures increased sharply over the month, primarily driven by the Fair Work Commission 2023-24 wage decision. There was a risk that the higher costs would be passed on to consumers.
- Today's outcome suggests, at least in the industries with updated price data such as households goods retailing, higher costs were not fully passed on to consumers. This is consistent with businesses having a more difficult time passing on costs as demand in the economy slows.
- While today's result is pleasing, the Reserve Bank (RBA) will be keeping a close eye on services inflation, which was not fully updated and will be made available over the next few months. However, today's result is consistent with the RBA remaining on an extended pause.

Monthly Consumer Price Index Indicator
Annual % Change



Sources: ABS, NAB, Macrobond

Consumer Price Indicator and Costs
Quarterly % Change



Sources: ABS, NAB, Macrobond

Housing Inflation

While housing inflation continues to ease from the peak recorded late last year, the composition is shifting with rents accelerating to 7.6% in annual terms, the strongest pace going back to 2017 (start of the monthly indicator).

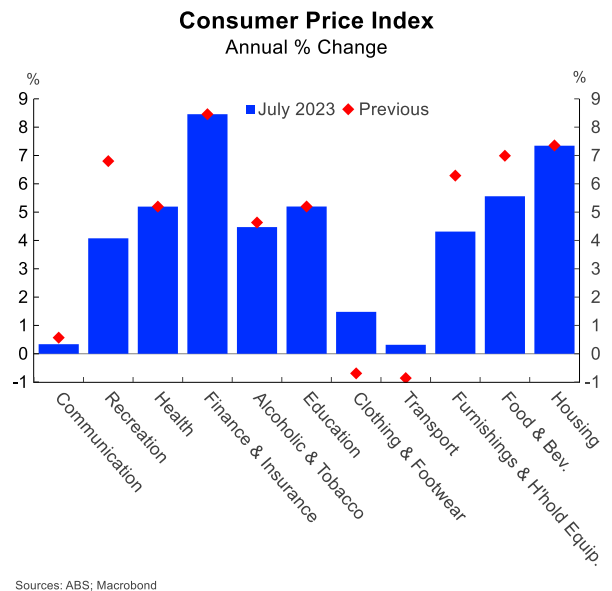
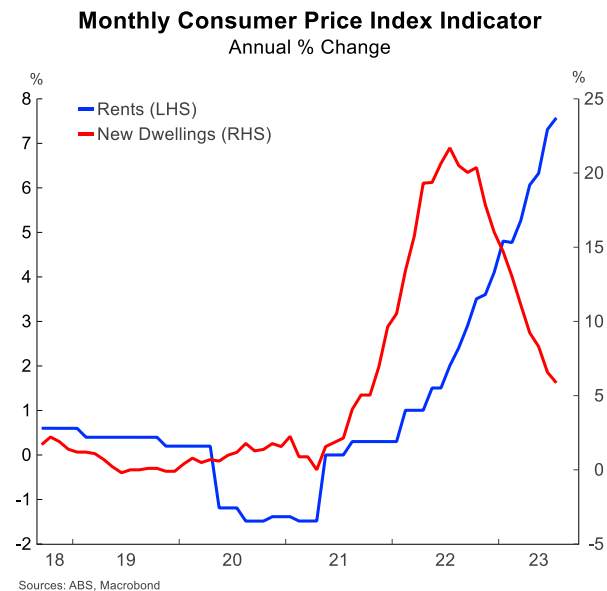
As the double-digit growth in advertised rents are passed through to the stock of rental properties, we expect CPI rents to accelerate further.

The increasing cost of new dwelling construction continues to moderate due to a softening in new demand and improvements in the supply of materials. New dwelling prices rose 5.9% over the year to July, the lowest growth rate since October 2021.

Services inflation

Today’s results make it particularly tricky to get an underlying read given many market services prices, which the RBA is keeping a close eye on, were not updated for July.

These prices will be updated over the next few months, providing a clearer read on the extent of the disinflationary impulse.



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