

Annual growth in the monthly CPI indicator declined 0.7ppts to 4.9% in October, which is the lowest level in three months. This was a downside surprise to the market participants, who expected a decline to 5.2%.

%	MoM	YoY
Headline CPI*	-0.4	4.9
Goods	-0.1	4.6
Services	-0.7	5.0
Tradables	-1.6	2.5
Non-tradables	0.3	6.0
Annual Trimmed Mean	-	5.3
CPI Ex Volatile Items and Holiday Travel*	0.2	5.0

*MoM changes are seasonally adjusted.

The monthly CPI indicator declined a seasonally adjusted 0.4% MoM.

Excluding volatile items and holiday travel, the CPI indicator rose a seasonally adjusted 0.2% in the month, to be up 5.0% YoY (0.3ppts less than in September). Annual trimmed mean inflation ebbed 0.1ppts to 5.3%, which is still elevated, but the lowest since June 2022.

Groups

The largest contribution to the decline in the annual growth rate of the monthly CPI indicator came from housing and transport, amid a deceleration in the annual growth rate of electricity, rents, and fuel prices.

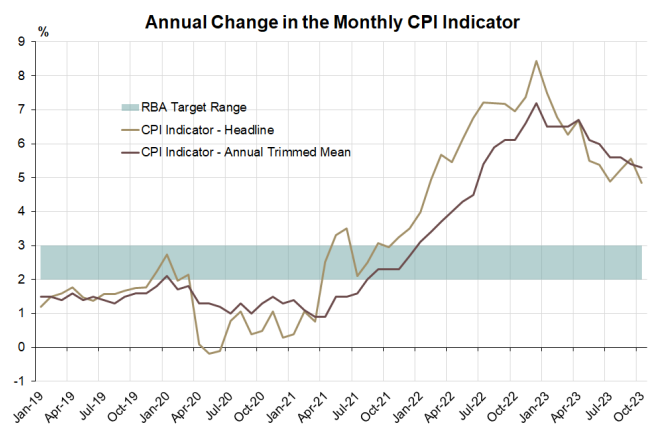
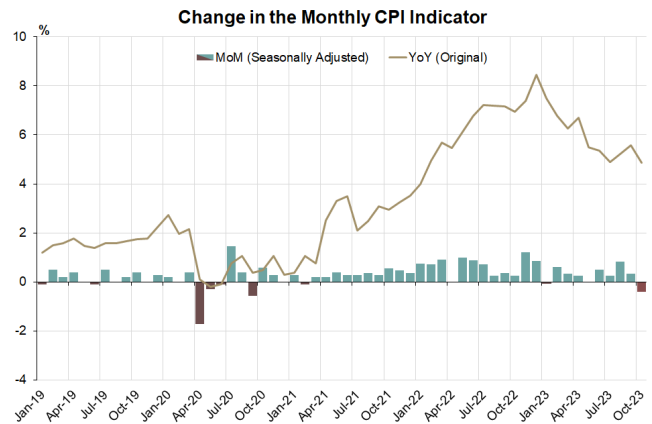
The rent index fell 0.4% in the month, with annual growth falling 1.0ppts to 6.6% driven by the increase in Commonwealth Rent Assistance. The index for electricity prices rose 3.4% in the month as energy bill subsidies unwound, with slower annual growth driven by base effects.

Deceleration in annual fuel price growth reflected the high base effects due to the reinstatement of the full fuel excise tax on 30 September 2022.

Annual growth in clothing and footwear prices turned negative and was slow for furnishings, household equipment and services, partly offset by faster annual food price inflation, particularly for fruit and vegetables.

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	0.1	5.3
Alcohol and Tobacco	1.3	6.6
Clothing and Footwear	1.6	-1.5
Housing	0.4	6.1
Furnishings, Household Eq. and Serv.	-1.6	0.4
Health	0.8	6.3
Transport	-1.0	5.9
Communication	0.1	1.8
Recreation and Culture	-3.2	2.7
Education*	0.0	4.8
Insurance and Financial Services	0.0	8.6

*Not updated in October.



Comment

Inflation eased in October, in headline and core terms, which is a welcome sign. However, details of the report were a little bit more nuanced.

Price growth for discretionary items such as furnishing, household equipment and services or clothing and footwear was either negative or sluggish. This could be a sign that demand slowed, which was also evidenced by October [retail trade](#) figures released yesterday.

The major contribution to the drop in annual inflation came largely from base effects or government policies. Furthermore, despite a significant decline in October, inflation is still well above the 2-3% target, both in headline and trimmed mean terms, with trimmed mean inflation being relatively sticky.

It is important to note that the October monthly CPI indicator reflected only 2/3 of the CPI basket.

While cash rate expectations declined a bit after the release of the CPI indicator, another 25bps cash rate hike is still partly priced in for February 2024. However, we continue to expect no more hikes in this cycle.

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