

Economic Analysis

CPI January 2024

The monthly CPI indicator was up 3.4% YoY in January, slightly less than the 3.6% consensus expectation and the same as in December.

%	MoM	YoY
Headline CPI*	0.4	3.4
Goods	-0.2	3.1
Services	-0.6	3.7
Tradables	-1.5	0.9
Non-tradables	0.2	4.7
Annual Trimmed Mean	-	3.8
CPI Ex Volatile Items and Holiday Travel*	0.2	4.1

*MoM changes are seasonally adjusted.

The monthly CPI indicator declined 0.3% in unadjusted terms, but was 0.4% higher when seasonally adjusted.

The CPI excluding volatile items and holiday travel rose a seasonally adjusted 0.2% in the month, to be 4.1% up YoY (the least since February 2022). Annual trimmed mean inflation, which is the RBA's favoured measure of underlying inflation, fell 0.2ppts to 3.8%, still above the target band but the lowest since March 2022.

Groups

Annual housing cost inflation eased to 4.6% from 5.2%, but continues to be the largest contributor to the annual increase in consumer prices.

Annual inflation in dwelling purchase costs for owner-occupiers eased 0.3ppts to 4.8% YoY, while rents inflation was steady at 7.4% YoY.

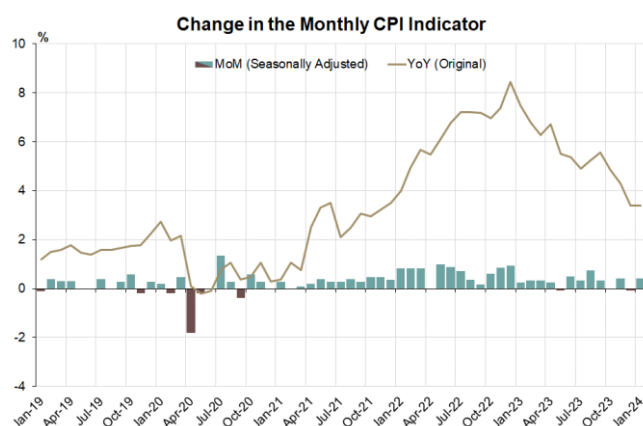
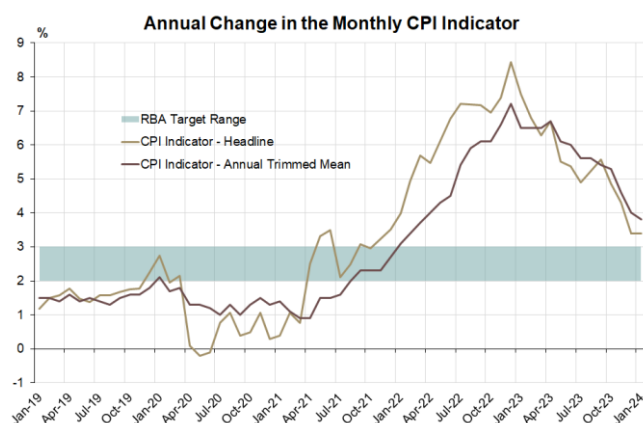
Electricity prices rose just 0.8% YoY, as Commonwealth and State Government rebates mostly offset price rises. Electricity prices would have increased 15.3% YoY, if not for the government rebates. Prices for gas and other household fuels were down 1.4% YoY.

Other strong contributors to the annual inflation rate were insurance and financial services (8.2% YoY), alcohol and tobacco (6.7% YoY) as well as food and non-alcoholic beverages (4.4% YoY).

This was offset by a 1.7% YoY decline in recreation and culture, driven by holiday travel and accommodation.

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	0.3	4.4
Alcohol and Tobacco	0.2	6.7
Clothing and Footwear	-2.5	0.4
Housing	0.2	4.6
Furnishings, Household Eq. and Serv.	-1.1	0.3
Health*	0.0	3.9
Transport	-0.2	3.0
Communication*	0.0	2.0
Recreation and Culture	-2.4	-1.7
Education*	0.0	4.7
Insurance and Financial Services	0.0	8.2

*Not updated in January.



Comment

The monthly CPI indicator for January came in softer than expected, while the annual trimmed mean inflation indicator continued to ease. The report was further evidence that disinflation in Australia is progressing, but there is still a way to go before inflation reaches the target.

Housing continues to be a major contributor to inflation, and it would be even larger in the absence of government subsidies putting downward pressure on rent and electricity costs for households.

The January CPI indicator should be interpreted with caution. Only 62% of the CPI basket is updated in the monthly CPI indicator for the first month of the quarter and it is biased towards the goods sector. Meanwhile, while assessing disinflation progress, the RBA is currently focusing on the services sector. However, based on the partial data available for January, disinflation continues to be led by goods and tradables, rather than services and non-tradables.

The monthly CPI indicator had no meaningful impact on RBA cash rate expectations, with a cut still not fully priced in before September.

28 FEBRUARY 2024

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