

## Economic Analysis

## CPI February 2023

The monthly CPI indicator rose by 6.8% over the year to February 2023, declining from the 7.4% recorded in the previous month. This was significantly less than the 7.2% expected by the market participants.

%	MoM	YoY
Headline CPI (Original)	0.2	6.8
Headline CPI (Seasonally Adjusted)	0.6	7.1
CPI Ex Volatile Items (Original)	0.0	6.9

Compared to January, the level of the monthly CPI indicator rose by 0.2% in original terms and 0.6% in seasonally adjusted terms. This follows declines in the monthly rates of the CPI indicator in January.

### Groups

Despite the slowdown in the headline annual rate, there were renewed monthly increases in consumer prices for most categories of goods and services. In addition, more than a half of the categories saw a re-acceleration in annual rates.

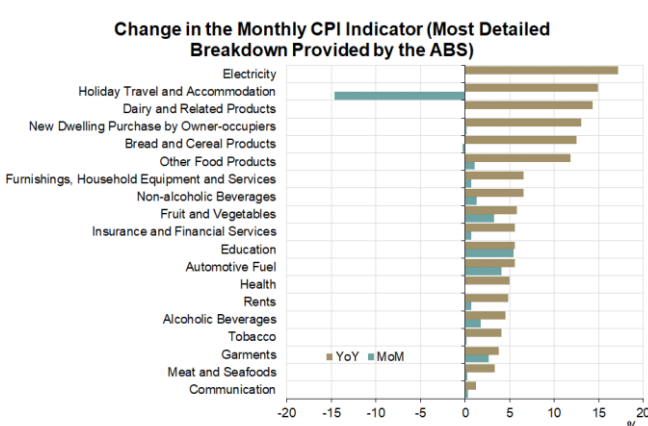
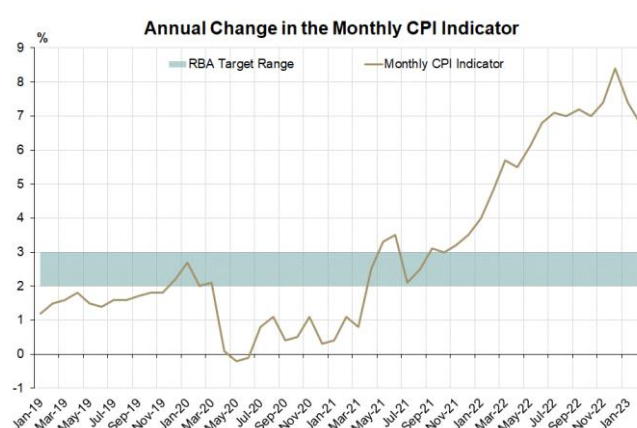
Apart from education, the strongest monthly increase was recorded for transport (+1.8%), though the annual rate of inflation for this category slowed substantially. Fuel prices rose by 5.6% YoY, which was the slowest annual increase in two years, but monthly growth accelerated to 4.1%.

Housing remained the major contributor to the annual rate of inflation in January, though the annual rate of price growth slowed 0.5ppts to the still elevated 9.9%. Rents rose by 0.7% MoM and 4.8% YoY, the same as in January, while new dwellings purchased by owner occupiers saw a slight deceleration to 13.7% YoY. This was partly offset by a faster annual rate of increase in electricity prices (17.2% against 16.8% in January).

Food and non-alcoholic beverages also saw a solid 1.0% increase in the month, to be up by 8.0% YoY.

The only category to see a fall in prices in February was recreation and culture, which was a further setback from a strong increase in December.

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	1.0	8.0
Alcohol and Tobacco	1.2	4.3
Clothing and Footwear	1.5	3.7
Housing	0.3	9.9
Furnishings, Household Eq. and Serv.	0.7	6.6
Health	0.0	5.0
Transport	1.8	5.6
Communication	0.3	1.2
Recreation and Culture	-6.0	6.4
Education	5.5	5.6
Insurance and Financial Services	0.7	5.6



### Comment

Another stronger-than-expected decline in inflation implied from the monthly CPI indicator is a welcome sign. However, this encouraging headline figure masks the ongoing strength and even re-acceleration in monthly price growth for many categories.

What is more worrying, inflation remains strong for discretionary goods and services, like fashion, alcohol and takeaway food. This points to persisting demand pressure in the economy.

The release does not cover around one-third of goods and services. In addition, there is a strong seasonality attached to the monthly data. The seasonally adjusted CPI indicator picked up again, after a marginal decline of 0.1% in January, though the pace of growth was slower than in the final months of 2022.

The dataflow over the past month suggests that economic conditions are still solid, which warrants only gradual disinflation. However, we continue to expect that the RBA will pause in April to assess the impacts of the banking sector woes abroad and wait for the results of the new projection.

29 MARCH 2023

#### Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.