

Economic Analysis

CPI November 2022

The monthly CPI indicator rose 7.3% over the year to November 2022, picking up from the 6.9% YoY increase in October. This was a bit above the market consensus for an increase to 7.2%.

YoY %	Sep-22	Oct-22	Nov-22
Headline CPI	7.3	6.9	7.3
Trimmed Mean Inflation*	5.5	5.4	5.6
All Groups CPI Ex Volatile Items	6.8	6.4	6.7

*The trimmed mean measure is seasonally adjusted

The trimmed mean measure of inflation, which is seasonally adjusted and is the RBA's preferred measure of underlying inflation, rose to 5.6% in November, after dipping 0.1ppts to 5.4% in October. The all groups CPI excluding volatile items measure of core inflation accelerated 0.3ppts to 6.7%.

Groups

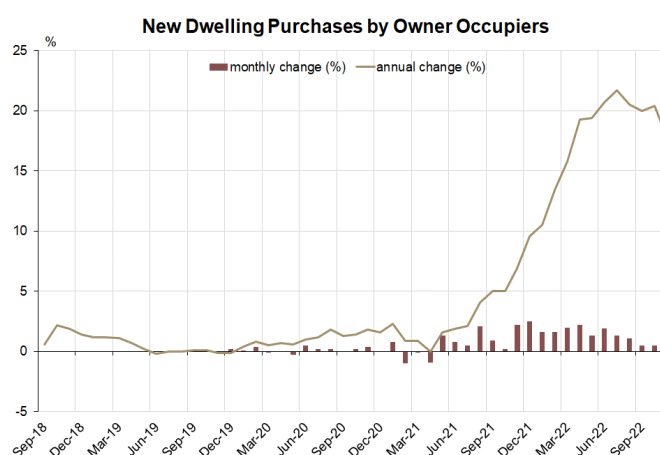
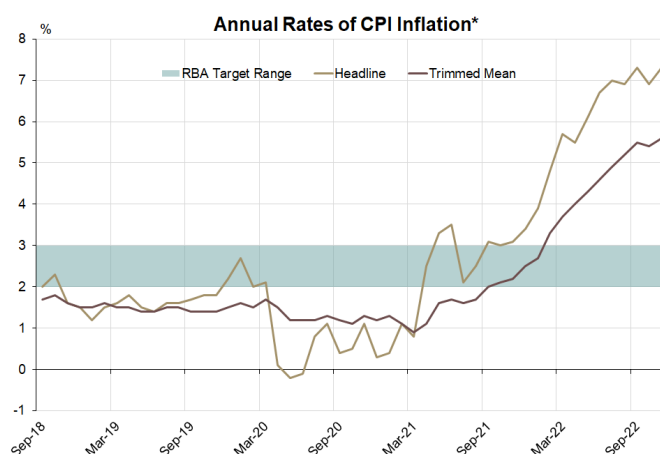
Housing remained the biggest single driver of inflation over the year, with the new dwelling purchase subindex rising 17.9% YoY, although this slowed from 20.4% YoY in October. The monthly increase has averaged 0.4% in the past three months, including a rise of just 0.1% for November. This follows average monthly increases of 1.8% in the 10 months to August.

The subindex for rents rose 3.6% YoY in November, from 3.5% YoY in October.

Inflation in food and alcoholic beverages accelerated 0.5ppts to 9.4% YoY. A 7.3% YoY rise in the cost of meals out and takeaway foods was the major contributor as increased operating costs were passed on to consumers via higher selling prices.

The inflation in the transport subindex accelerated to 9.0% YoY from 7.4% in the year to October as the restoration of the government fuel excise pushed automotive fuel inflation up to 16.6% YoY from 11.8%.

YoY %	Sep-22	Oct-22	Nov-22
Food and Non-alcoholic Beverages	9.6	8.9	9.4
Alcohol and Tobacco	4.6	4.3	4.3
Clothing and Footwear	7.1	5.7	4.1
Housing	10.3	10.5	9.6
Furnishings, Household Eq. and Serv.	7.7	7.8	8.4
Health	2.8	2.6	3.6
Transport	6.8	7.4	9.0
Communication	2.0	1.9	0.7
Recreation and Culture	5.3	2.3	5.8
Education	4.5	4.5	4.6
Insurance and Financial Services	4.2	4.2	4.8



Comment

The acceleration in the annual increase in the monthly CPI indicator to 7.3% from 6.9%, shows ongoing inflationary pressure in the Aussie economy.

The increase in inflation over the past year has been driven by a combination of the pass through of rising business operating costs and elevated demand.

However, the easing in new dwelling purchases inflation in recent months, the single biggest driver of inflation over the past 18 months, suggests headline inflation may be close to peaking.

Nevertheless, inflation remains well above the RBA's target of 2-3% and will be for some time. A further 25 basis point rise in the cash rate target to 3.35% by the RBA in February is highly likely.

However, given the lags between interest rate rises and the impact on the economy, it would be appropriate for the RBA to pause the hiking cycle at some point soon to ascertain the impact of the substantial tightening already in place.

11 JANUARY 2023

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