

The monthly CPI indicator was up 3.4% YoY in February, same as in January. This came against the market expectations of a slight 0.1ppts uptick to 3.5%.

%	MoM	YoY
Headline CPI*	0.5	3.4
Goods	0.6	2.9
Services	-0.3	4.2
Tradables	0.1	0.8
Non-tradables	0.3	4.8
Annual Trimmed Mean	-	3.9
CPI Ex Volatile Items and Holiday Travel*	0.5	3.9

*MoM changes are seasonally adjusted.

The monthly CPI index rose 0.2% in unadjusted terms and was 0.5% higher when seasonally adjusted.

The CPI excluding volatile items and holiday travel rose a seasonally adjusted 0.5% in the month, but the annual rate declined to 3.9%, the lowest since January 2022. However, annual trimmed mean inflation, which is the RBA's favoured measure of underlying inflation picked up 0.1ppts to 3.9%.

Groups

Housing remains a significant contributor to inflation, with annual growth in new dwelling purchase prices and rents accelerating to 4.9% and 7.6%, respectively.

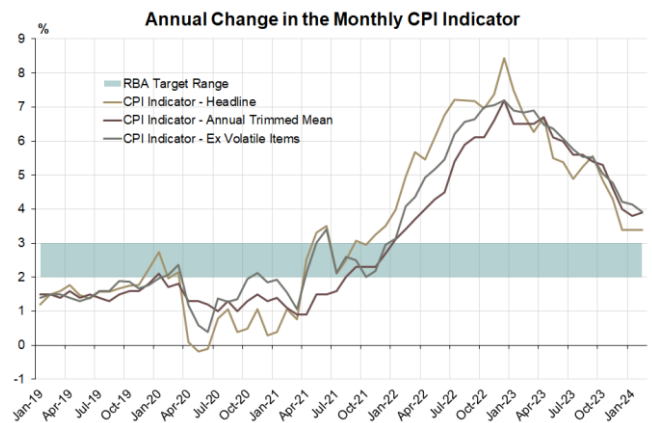
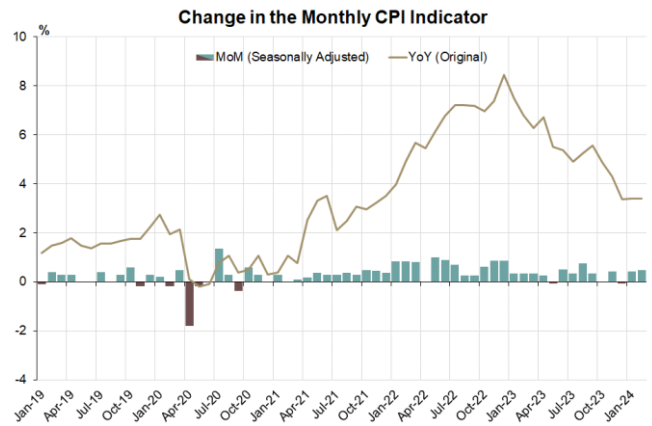
The annual rate of growth in electricity prices slowed to just 0.3%, reflecting rebates introduced last year by the Commonwealth and State governments. Excluding these rebates, electricity prices would have increased by 14.9% YoY.

Prices for gas and other household fuels continued to decline (-2.4% YoY).

Annual food and non-alcoholic beverage price inflation eased to 3.6%, the lowest level since January 2022. This deceleration was due to base effects and declines in prices for meat and seafoods (-2.0%) as well as fruit and vegetables (-0.5%).

%, Original	MoM	YoY
Food and Non-alcoholic Beverages	0.2	3.6
Alcohol and Tobacco	0.6	6.1
Clothing and Footwear	1.9	0.8
Housing	0.2	4.6
Furnishings, Household Eq. and Serv.	0.2	-0.3
Health*	0.0	3.9
Transport	2.2	3.4
Communication	0.0	1.7
Recreation and Culture	-4.1	0.4
Education	5.9	5.1
Insurance and Financial Services	0.9	8.4

*Not updated in February.



Comment

The monthly CPI indicator suggests that headline consumer price inflation was steady in February. Despite the significant progress over the past year, inflation remains above the RBA's target band and far from the band's midpoint, which is the RBA's focus under the new regime.

Services price inflation accelerated 0.5ppts to a four-month high of 4.2% in February. Non-tradables inflation saw a slight 0.1ppts uptick to 4.8%, helped by the faster increase in new dwelling prices and rents, as well as finance and insurance costs. Education, which is only updated in the second month of each year, was up 5.1% YoY.

It is important to bear in mind that only 73% of the CPI basket is updated in February, with prices of important services such as health not updated in the middle month of the quarter.

The relative stickiness of services prices is being repeatedly brought up in the RBA's communication as a reason for concern. The February report brought some confirmation that these concerns are valid and will not alter the RBA's stance of 'not ruling anything in or out'.

27 MARCH 2024

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