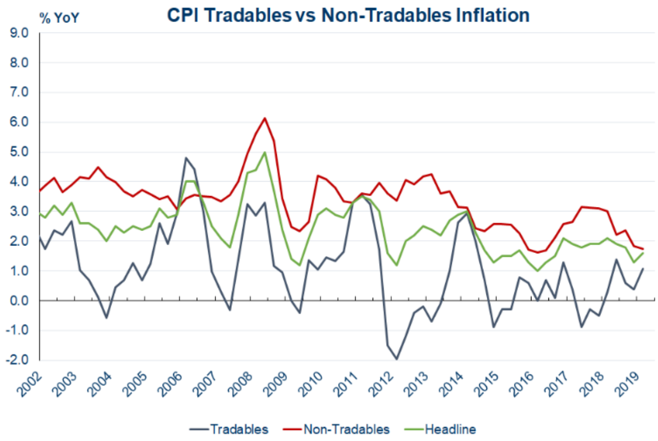
Economic Analysis

CPI June Quarter 2019

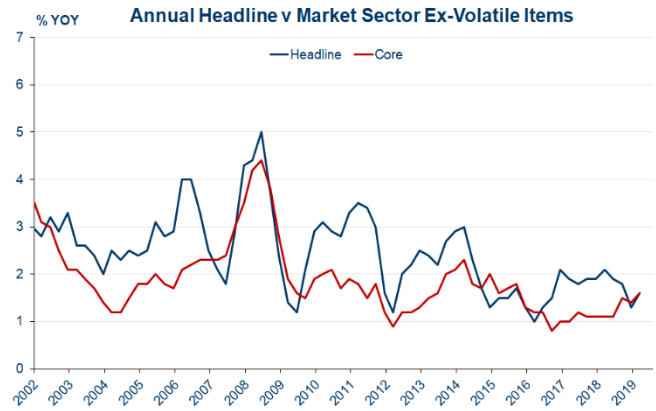
The headline CPI (unadjusted) rose 0.6% in Q2 (WATC +0.5%, Mkt +0.5%), following a flat result in Q1, with the annual inflation rate rising to 1.6% from 1.3%. Goods prices rose 0.7% (+1.5% YoY) and services prices were up 0.4% (+1.4% YoY). The ABS measure of the core CPI (market goods and services excluding volatile items) increased 0.4% in the quarter (+1.6% YoY).

	QoQ	YoY
Headline CPI	0.6%	1.6%
Market Sector Ex-Volatile Items	0.4%	1.6%
Trimmed Mean CPI	0.4%	1.6%
Goods	0.7%	1.5%
Services	0.4%	1.4%
Non-Tradables	0.2%	1.8%
Tradables	1.2%	1.1%



The RBA's favoured statistical measure of underlying inflation, the seasonally adjusted trimmed mean, was 0.4% in the quarter and +1.6% YoY.

A 10.2% rise in auto fuel was the major contributor to the CPI increase, adding 0.3 percentage points (ppts) to headline inflation. Health (+1.8%) and international holidays (+2.9%) were the next biggest contributors, each adding 0.1ppts to the increase.



Non-tradable items, those whose prices are largely determined by domestic conditions, rose 0.2% to be up 1.8% YoY. The prices of tradable items, largely determined by global markets, rose 1.2% for the quarter, and were up 1.1% YoY.

Capital Cities

Capital Cities	QoQ	YoY
Perth	0.7%	1.6%
Sydney	0.7%	1.7%
Melbourne	0.5%	1.3%
Brisbane	0.6%	1.7%
Adelaide	0.5%	1.4%
Hobart	0.6%	2.3%

Of the state capital cities, Perth and Sydney saw the biggest quarterly CPI with rises of 0.7%, though Hobart had the fastest annual inflation rate of 2.3% YoY. The Perth CPI was up 1.6% YoY, the fastest annual inflation rate for Perth since 2014.

Comment

Today's CPI has no real ramifications for the RBA other than to remind us that they are well and truly in easing mode. Developments in the labour market are far more important for policy in the near-term.

The little inflation that was evident was largely driven by higher oil prices, though the weaker Aussie dollar probably also played a role.

We maintain our call that the next rate cut will likely occur in November.

In other news today, the RBA private sector credit report showed credit growth was weak at 0.1% in June with housing, business and personal credit demand remaining soft. Annual credit growth of 3.3% YoY was the slowest since 2013.

31 July 2019

Head Office: Level 12, 225 St Georges Terrace, Perth WA 6000
Postal Address: PO Box 7282, Perth Cloisters Square WA 6850
Phone: (+61) 8 9235 9100
Facsimile: (+61) 8 9235 9199
Email: watc@watc.wa.gov.au
Website: www.watc.wa.gov.au