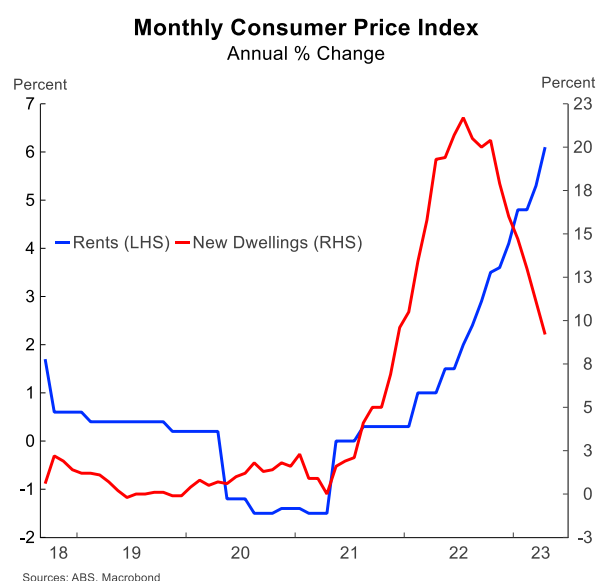
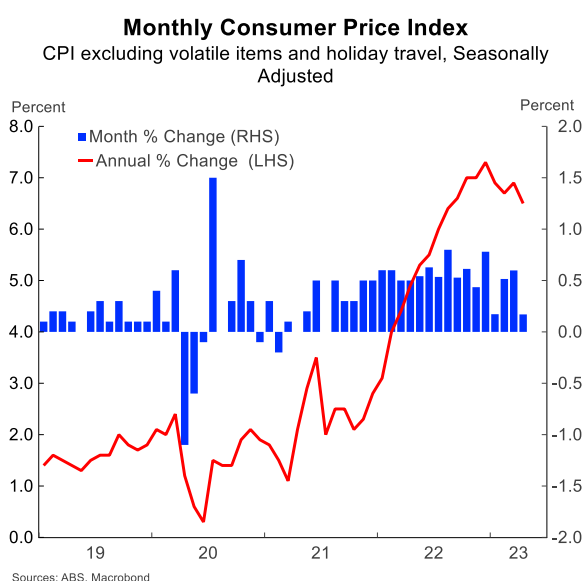


Wednesday, 31 May 2023

CPI Monthly Indicator

Mixed Signals, Rents Clearly Up

- The monthly consumer price index (CPI) indicator rose 6.8% over the year to April, from the 6.3% in March. The Australian Bureau of Statistics (ABS) notes that a “significant contributor to the increase” was the fuel excise cut, which reduced the price of fuel in April 2022.
- When adjusting for volatile items and holiday travel, the seasonally adjusted indicator shows a 6.5% increase in annual terms, down from the 6.9% recorded in March, and down from the peak of 7.3% recorded in December. The seasonally adjusted indicator rose by 0.2% over the month of April, which was the slowest monthly growth rate since July 2021.
- On the other hand, the annual trimmed measure, which dampens the impact of bigger price movements, increased to 6.7% in April, from 6.5% in March.
- Housing (+8.9), food and non-alcoholic beverages (+7.9%) and transport (+7.1%) continue to be the largest contributors to inflation. Prices for holiday travel and accommodation increased over April following significant falls over the March quarter. A seasonal pick-up in demand due to Easter and school holidays supported prices.
- While housing inflation continues to ease from the peak recorded late last year, the composition is shifting with rents accelerating to 6.1% in annual terms, the strongest pace going back to 2017 (start of the monthly indicator). The cost of new dwelling continues to moderate. As the double-digit growth in advertised rents are passed through to the stock of rental properties, we expect rents as measured by the CPI to accelerate further.
- What does this mean for the Reserve Bank? We continue to expect that the cash rate will stay on hold next week. In contrast, interest-rate markets have attached a higher probability to a rate hike after today’s inflation data.



- Today's results make it particularly tricky to get an underlying read given the large impact of policy, seasonality in the data and many of the services prices that drove inflation over the March quarter (medical and hospital services, education, financial services – see table) were not updated for April – they are either updated quarterly or once a year. The June quarter inflation report will therefore provide a clearer underlying read.

Table 1: Monthly Expenditure class data

Index name	Monthly % Change			Annual % Change	Frequency
	Feb-23	Mar-23	Apr-23	Apr22 to Apr23	
Child care	imp	2	imp	5.9	Quarterly
Hairdressing & personal grooming	1.4	imp	imp	6.4	Quarterly
Other household services	1.3	imp	imp	9.4	Quarterly
Medical & hospital services	imp	2.4	0.2	5.8	Quarterly***
Dental services	imp	0.8	imp	3.7	Quarterly
Maintenance & repair of vehicle	0.7	imp	imp	5.5	Quarterly
Other services in respect of motor vehicle	0.5	imp	imp	3	Quarterly
Sports participation	0.7	-0.8	imp	3.8	Quarterly
Other recreational sports & cultural services	0.5	imp	imp	0	Quarterly
Preschool & primary education	-0.7	-0.1	imp	-0.2	Quarterly***
Secondary education	4.9	imp	imp	4.9	Quarterly***
Tertiary education	9.7	imp	imp	9.6	Quarterly***
Insurance	3.5	imp	imp	8.7	Quarterly
Other financial services	imp	1.5	imp	6.6	Quarterly

Notes:

Imp = Imputed, i.e. prices not collected in the month.

*** = measured quarterly and/or typically changes once per year.

Pat Bustamante, Senior Economist

Ph: +61 468 571 786

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Jarek Kowcza
Jarek.kowcza@banksa.com.au
0481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@banksa.com.au
0468 571 786

Economist

Jameson Coombs
jameson.coombs@banksa.com.au
0401 102 789

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.