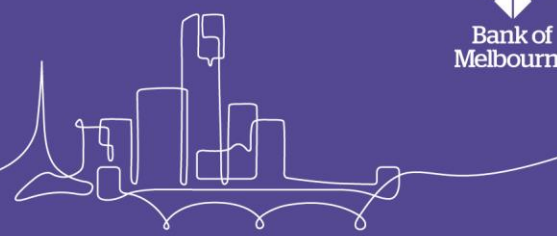




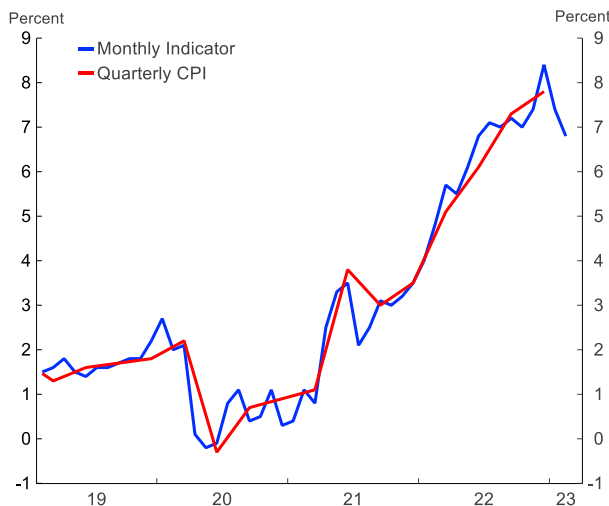
Wednesday, 29 March 2023



CPI Monthly Indicator Prices Play into RBA Pause

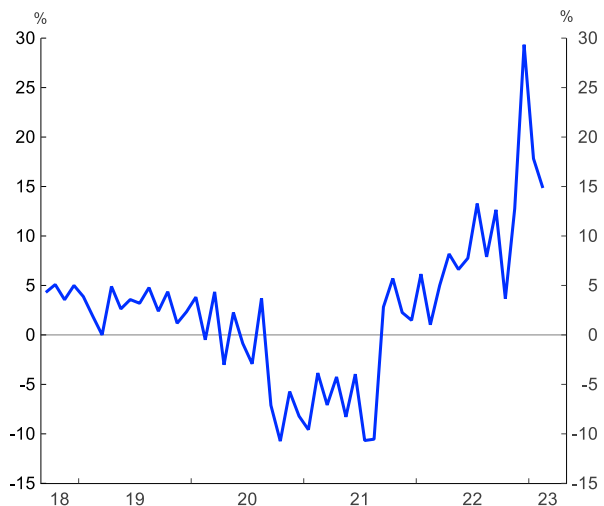
- The monthly consumer price index (CPI) indicator rose 6.8% over the year to February, well below consensus expectations for a 7.2% gain. The measure has now fallen 1.6 percentage points since December, suggesting disinflation is beginning to take effect.
- Housing (+9.9), food and non-alcoholic beverages (+8.0%) and transport (+5.6%) continue to be the largest contributors to elevated inflation. However, we are starting to see progress being made in these categories.
- Prices for holiday travel and accommodation have eased rapidly over the first two months of 2023. This follows large spikes into the end of 2022, as people took to the skies at any price. This category accounted for much of the upside surprise that spooked the RBA in the December quarter inflation report.
- Government policies remain a prominent theme in the inflation story. Prices for new dwelling construction and electricity are coming off the boil as HomeBuilder continues to unwind and energy market intervention releases the pressure valve. Automotive fuel prices have also normalised after ructions from the reintroduction of the full rate of the fuel excise.
- Based on the January and February monthly readings, we expect quarterly inflation to slow to 1.3% in the March quarter. If this comes to fruition, it would be the softest quarterly increase in inflation since the December quarter of 2021.
- The monthly inflation indicator continues to support the view that inflation peaked in the December quarter and points to positive progress on reigning in price pressures. This adds to the weight of evidence suggesting the RBA is likely to pause its rate hike cycle next week.

Consumer Price Index
Annual % Change



Sources: ABS; Macrobond

Travel and Accommodation Inflation
Annual % Change



Sources: ABS; Macrobond

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Jarek Kowcza

Jarek.kowcza@bankofmelbourne.com.au

0481 476 436

Senior Economist

Pat Bustamante

pat.bustamante@bankofmelbourne.com.au

0468 571 786

Economist

Jameson Coombs

jameson.coombs@bankofmelbourne.com.au

0401 102 789

The Detail

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 Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne 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 Bank of Melbourne products and details are available. Bank of Melbourne 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. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
