

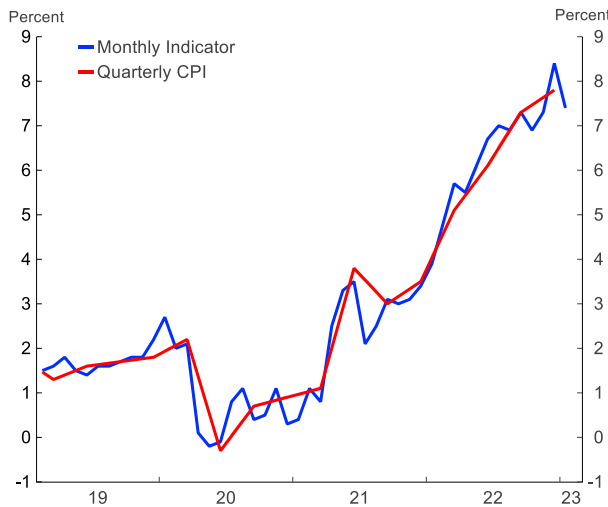


Wednesday, 1 March 2023

## CPI Monthly Indicator Promising Signs But a Long Way Still to Go

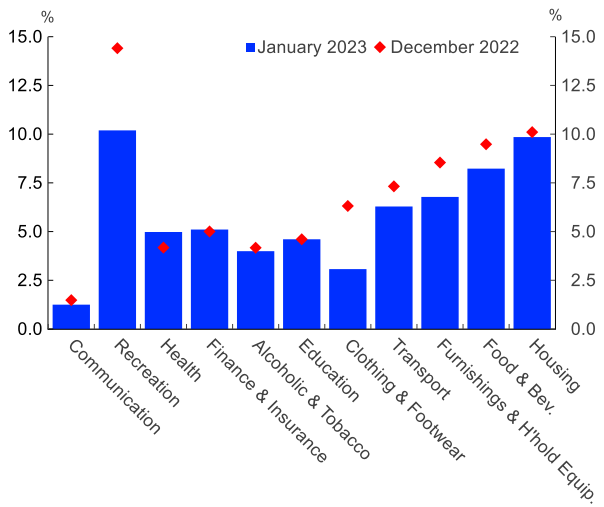
- The monthly consumer price index (CPI) indicator rose 7.4% over the year to January, slowing considerably from an 8.4% annual increase in December. In monthly terms, CPI declined 0.4% providing our first potential sign of the beginning of disinflation.
- Note, however, that January’s result is still exceptionally high and that the inflation pulse remains strong. Today’s data, although promising, confirms that there is a long way to go in returning inflation to target.
- CPI rents (which only includes rents actually paid) increased by 4.8% in annual terms to the end of January – showing continued strength, something we expect will persist into 2023.
- Housing (9.8%), food (8.2%) and recreation & culture (10.2%), which includes domestic and international travel, continued to experience the most significant price increases in annual terms. On a positive note, annual growth in all three categories slowed in the month.
- There were also some positive developments on goods inflation, which showed little sign of budging in the December quarter. Prices for household equipment and clothing & footwear fell sizeably in January, pointing to a more material softening in goods prices this year.
- We have received our first piece of evidence that inflation is likely to have peaked in the December quarter. However, price pressures remain elevated and as we have seen overseas, inflation may prove sticky. Additionally, the Reserve Bank (RBA) will need concrete evidence that the inflationary pulse is softening before swaying from its current course.

Consumer Price Index  
Annual % Change



Sources: ABS; Macrobond

Consumer Price Index  
Annual % Change



Sources: ABS; Macrobond

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