



April 2015

### CPI March quarter 2015: Australian inflation slows to 1.3% p.a.

The latest **Consumer Price Index (CPI)** data is for the March quarter of 2015. Headline CPI decelerated further in Q1 2015, to just 1.3% p.a., from 1.7% p.a. in Q4 2014 (see Chart 1). This is the slowest headline annual CPI growth since June 2012. The less-volatile 'underlying' CPI measure however, accelerated slightly to 2.4% p.a. in Q1 2015 (from 2.3% p.a. in Q4 2014). **Headline inflation** is again below the RBA's target band of 2-3% p.a., although **underlying inflation** still sits in the lower band of the RBA's target, at 2.4% p.a. These data provide room for the RBA to cut the cash rate further, should it decide it needs to do so in order to stimulate borrowing and investment.

The large deceleration in **headline CPI in Q1 2015** was mainly due to a strong decline in prices for *automotive fuel* (-12.2% q/q; -22.5% p.a.), as weak global oil prices flowed through to lower local retail fuel prices. Prices for *fruits* also fell significantly in Q1 (-8.0% q/q; +1.2% p.a.), while *bread* prices declined for a third quarter (-3.2% q/q; -5.8% p.a.). In addition, prices for *clothing and footwear* declined by 1.3% q/q in Q1 (-0.7% p.a.), with price falls across most sub-categories. Prices for *communication* goods and services also recorded a decrease (-1.4% q/q; -4.5% p.a.) in Q1, with ongoing declines in prices for *audio, visual and computing equipment* (-2.6% q/q; -9.0% p.a.).

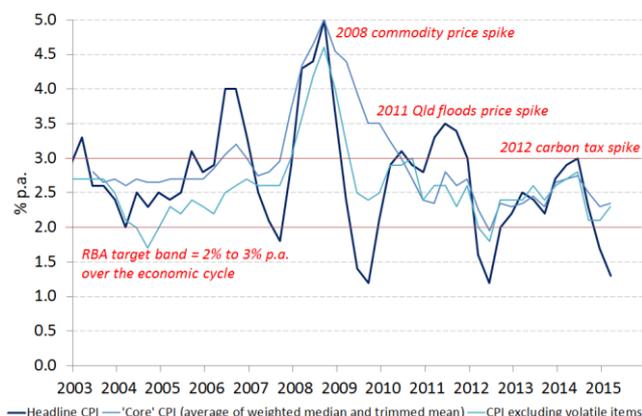
In line with pricing trends seen over an extended period, prices rose relatively strongly in Q1 for *domestic holiday travel and accommodation* (+3.5%; +5.2% p.a.), *tertiary education* (+5.7% q/q; +5.7% p.a.) and *medical and hospital services* (+2.2% q/q; +6.5% p.a.) (see Chart 2). These categories are all counted as 'non-tradeable' for the purposes of these CPI data.

Prices for **tradeable goods and services** (i.e. those that can be imported, accounting for about 40% of the total) fell by another 1.2% q/q in Q1 2015 to be 0.9% lower than a year ago (Q4 2014: -0.6% q/q; +0.7% p.a.). The decline in tradeable prices was mainly due to a decrease in price for *automotive fuel* while *audio, visual and computing equipment* continued to fall despite the a lower Australian dollar since September 2014.

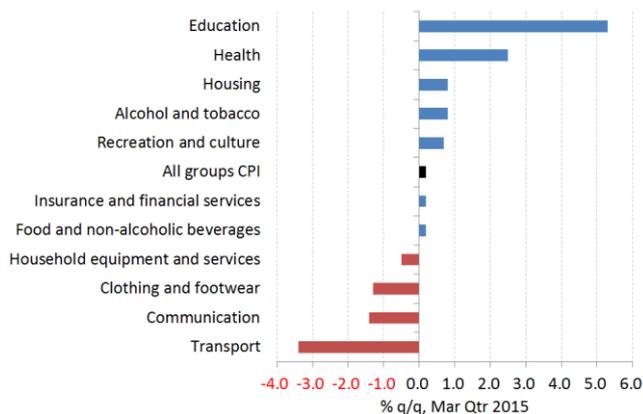
Price rises for **non-tradeable goods and services** (which comprise the remaining 60% of the CPI basket) accelerated somewhat to 2.6% p.a. in Q1 2015 (+1.0% q/q), from 2.3% p.a. in Q4 2014. This increase in prices for non-tradeables was mainly due to higher prices for *tertiary education, medical and hospital services* and *domestic holidays travel and accommodation* as mentioned above, while prices for *new dwelling purchase by owner-occupiers* increased by 0.9% q/q (+4.8% p.a.) in Q1 2015.

Across the **capital cities**, annual inflation in Q1 2015 ranged from a low of 0.6% p.a. in Canberra to a high of 1.6% p.a. in Sydney. Inflation was also higher than the national average in Brisbane and Perth, both at 1.4% p.a., but subdued in Hobart (+0.9% p.a.), Melbourne (+1.0% p.a.), Adelaide (+1.1% p.a.), as well as Darwin (+0.8% p.a.). This pricing pattern is approximately in line with the differences in general economic conditions between these cities.

## Ch 1: CPI, headline & core



## Ch 2: Quarterly price rises by category



**Table 1: Key CPI Numbers**

	Quarterly change (% q/q)		Annual change (% p.a.)	
	Mar-15	Dec-14	Mar-15	Dec-14
<b>Headline CPI</b>	<b>0.2</b>	<b>0.2</b>	<b>1.3</b>	<b>1.7</b>
Trimmed mean	0.6	0.6	2.3	2.2
Weighted median	0.6	0.7	2.4	2.4
Core CPI (average of trimmed & weighted)	0.6	0.7	2.4	2.3
Tradable	-1.2	-0.6	-0.9	0.7
Non-tradable	1.0	0.6	2.6	2.3
Goods	-0.4	-0.3	0.0	1.0
Services	0.9	0.8	3.1	2.7
<b>Capital cities</b>				
Sydney	0.5	0.2	1.6	1.7
Melbourne	0.1	0.2	1.0	1.4
Brisbane	0.0	0.2	1.4	2.0
Adelaide	0.1	0.3	1.1	1.7
Perth	0.1	0.1	1.4	2.0
Hobart	0.3	0.1	0.9	1.1
Darwin	-0.2	0.2	0.8	1.9
Canberra	-0.1	0.1	0.6	1.2

## What is the CPI?

The Consumer Price Index (CPI) measures changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households. CPI data is collected by the ABS and released each quarter in January, April, July and October. For more information from the ABS, click [here](#).

Next CPI release date: June Quarter 2015 due for release on 22 July 2015

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