



Summary

- The national headline consumer price index rose 0.5% in June quarter 2004 to be 2.5% higher over the year, following 2.0% annual growth recorded in the March quarter. After moderating steadily over the year to March quarter 2004, consumer prices turned upwards in the June quarter. However, the rise in the annual level of inflation is partly due to very weak quarterly inflation recorded in June quarter last year. Quarterly growth in the consumer price index, by comparison, was actually lower in the June quarter (0.5%) relative to the March quarter (0.9%).
- The price index for market sector goods and services, which excludes the more volatile items, rose 0.4% in the June quarter, to be only 1.2% higher over the year. This is the lowest annual growth in 'underlying' inflation recorded since the inception of the series in 1987.
- Brisbane consumer prices rose by 0.6% in the June quarter, to be 3.2% higher over the year. Meanwhile, the annual underlying rate of inflation for Brisbane remained unchanged at 2.2% in June quarter 2004.

Analysis

- Nationally, consumer price rises in the June quarter were driven primarily by increases in automotive fuel, health costs and housing costs. On the other hand, after contributing substantially to consumer price increases over the past year, food prices (in particular, fruit and vegetable prices) fell markedly in the June quarter. In addition, recreation costs continued to fall, as the cost of audio and visual equipment and domestic travel and holidays fell over the June quarter.
- Brisbane CPI growth continued to exceed that nationally in the June quarter. The increase in Brisbane prices was caused by similar components to that nationally, but included a much larger contribution from housing costs, as Queensland property prices show continued strength relative to the southern states.

Implications

- Recent increases in the national headline inflation rate have been driven by components which are considered volatile, in particular fuel and health costs in the June quarter, as well as fruit and vegetable prices in previous quarters. As a result, the gap between headline and underlying inflation has widened recently. Although the national inflation rate turned upwards in the June quarter, the current low level of underlying inflation could temper the speed and magnitude of any future monetary tightening by the Reserve Bank of Australia (RBA).

Table 1: Percentage change in the CPI – Australia

Inflation	Mar qtr 2004		Jun qtr 2004	
	Qtrly	Yearly	Qtrly	Yearly
Headline	0.9	2.0	0.5	2.5
Market Sector	0.0	1.3	0.4	1.2

Chart 1: CPI annual change, quarterly – Australia

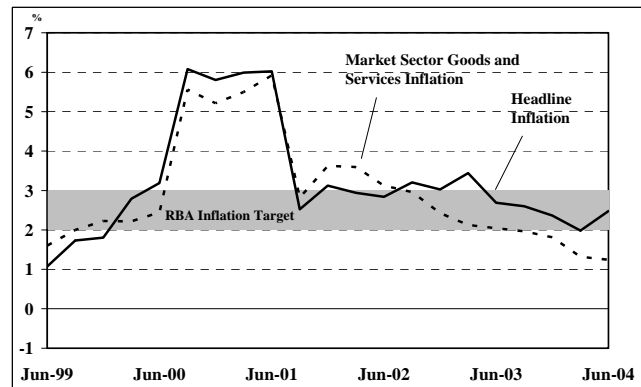


Chart 2: CPI components
Quarterly contribution to change in CPI
June quarter 2004

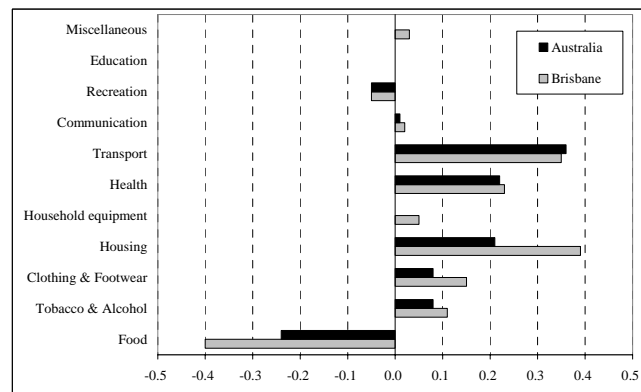


Table 2: Percentage change in the CPI

Capital City	Jun qtr 2004	
	Quarterly	Yearly
Sydney	0.3	2.3
Melbourne	0.3	2.1
Brisbane	0.6	3.2
Adelaide	0.6	3.0
Perth	1.0	2.6
Hobart	0.9	2.5
Darwin	0.4	1.2
Canberra	0.6	2.9
Australia	0.5	2.5