



Summary

- The national headline consumer price index (CPI) rose 0.4% in September quarter 2004, to be 2.3% higher over the year, following 2.5% annual growth recorded in the June quarter. After gradually moderating to 2.0% annual growth in the March quarter, the national inflation rate rose to 2.5% in the June quarter before moderating slightly in the September quarter.
- The price index for market sector goods and services, which excludes the more volatile items, rose 0.3% in the September quarter, to remain 1.2% higher over the year. This equals the lowest annual growth in "underlying" inflation recorded since the inception of the series in 1987.
- Brisbane consumer prices rose by 0.3% in the September quarter, to be 2.4% higher over the year. The underlying rate of inflation for Brisbane also increased by 0.3% in the September quarter, while the annual rate fell sharply from 2.2% in the June quarter to 1.5% in the September quarter.

Analysis

- Nationally, consumer price rises in the September quarter were driven primarily by increases in housing costs, with both house purchase costs and property rates and charges contributing substantially to the increase in the CPI. Transport costs also contributed to prices increases, largely as a result of higher fuel costs. On the other hand, after contributing substantially to consumer price increases in the December and March quarters, fruit and vegetable prices have now fallen in the past two quarters.
- Although Brisbane prices recorded a similar rise to the national CPI in the September quarter, annual growth in the Brisbane CPI moderately sharply from 3.2% in the June quarter to 2.4% in the September quarter. After a period of recording higher rates of CPI growth relative to other states, the annual increase in the Brisbane CPI is now only higher than Melbourne.

Implications

- Over the year to the September quarter, the increase in the national headline inflation rate has been driven by components that are considered volatile. This includes fuel and housing costs in the September quarter, as well as fruit and vegetable prices in previous quarters. As a result, the headline rate of inflation remains substantially above the underlying rate. Headline inflation is now in the lower half of the Reserve Bank's 2-3% target band, while underlying inflation is at historic lows, suggesting that the Reserve Bank may adopt a cautious approach to monetary policy in the near future.

Table 1: Percentage change in the CPI - Australia

Inflation	Jun qtr 2004		Sep qtr 2004	
	Qtrly	Yearly	Qtrly	Yearly
Headline	0.5	2.5	0.4	2.3
Market Sector	0.4	1.2	0.3	1.2

Chart 1: CPI annual change, quarterly - Australia

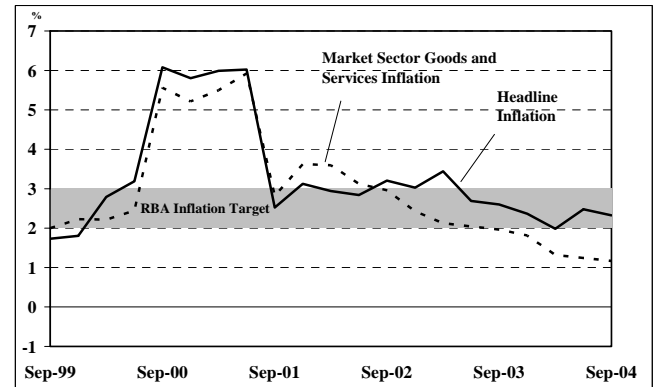


Chart 2: CPI components
Quarterly contribution to change in CPI
September quarter 2004

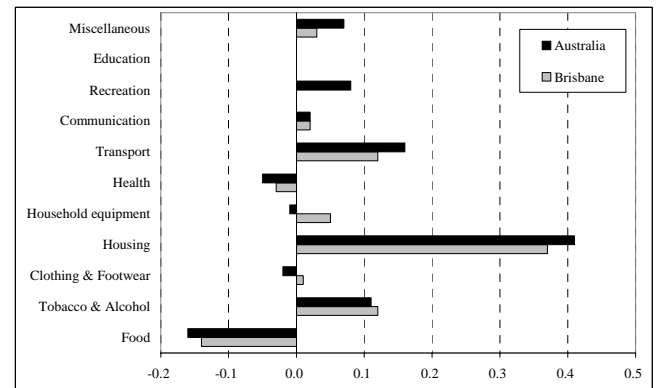


Table 2: Percentage change in the CPI

Capital City	Sep qtr 2004	
	Quarterly	Yearly
Sydney	0.5	2.7
Melbourne	0.2	1.7
Brisbane	0.3	2.4
Adelaide	0.3	2.5
Perth	0.7	2.5
Hobart	0.5	2.8
Darwin	0.9	2.2
Canberra	0.5	2.5
Australia	0.4	2.3