



Summary

- The national headline consumer price index (CPI) rose 0.6% in June quarter 2005, to be 2.5% higher over the year, increasing slightly from 2.4% annual growth in the March quarter. The result was below market expectations of a 0.8% rise over the quarter (and 2.7% over the year). A large proportion of the increase was due to higher petrol prices, so the underlying rise in prices was quite weak over the quarter.
- The price index for market sector goods and services, which excludes the more volatile items, rose 0.3% in the June quarter, while annual growth remained at 1.8%. Although still below the RBA's inflation target band of 2-3%, annual growth in this measure has been gradually trending upwards from a recent low of 1.2% in September quarter 2004.
- Queensland consumer prices rose less than nationally in the June quarter, with the Brisbane CPI rising 0.5%, to be 2.5% higher over the year. Brisbane's underlying inflation rate was 0.3% in June quarter 2005. On an annual basis, Brisbane's underlying inflation rate declined to 1.8% in the June quarter, from 2.2% in March quarter 2005.

Analysis

- Nationally, consumer price rises in the June quarter were driven primarily by a strong rise in the price of petrol. Solid contributions also came from rises in the cost of house purchases and higher private health fund premiums, which took effect on 1 April 2005. Partially offsetting these increases, the cost of domestic holiday travel and accommodation fell sharply over the quarter. The ABS has reported that this was largely due to Easter occurring in early March, with peak airfares being charged in the March quarter, before falling in the first half of the June quarter. Food prices remained largely unchanged over the quarter, due largely to falling fruit prices, reflecting improved growing conditions, offsetting rising prices in other food components.
- In Brisbane, the major difference compared with nationally was a larger fall in costs associated with domestic holiday travel and accommodation.

Implications

- Overall, the rise in national headline inflation was quite weak considering the strong contribution from petrol prices over the quarter.
- With underlying inflation remaining below the RBA target band (2-3%), there would appear to be no immediate pressure on the Reserve Bank to increase official interest rates.

Table 1: Percentage change in the CPI - Australia

Inflation	Mar qtr 2005		Jun qtr 2005	
	Qtrly	Yearly	Qtrly	Yearly
Headline	0.7	2.4	0.6	2.5
Market Sector	0.4	1.8	0.3	1.8

Chart 1: CPI annual change, quarterly - Australia

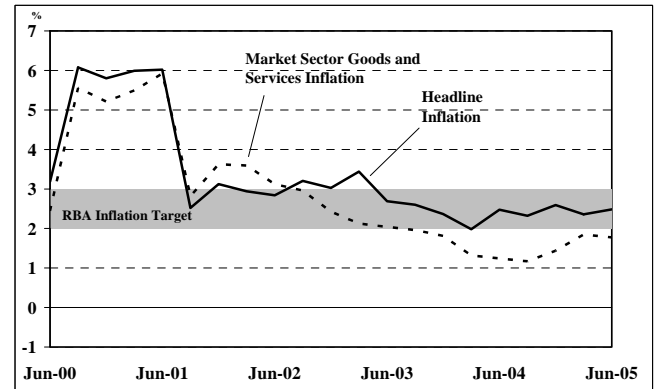


Chart 2: CPI components
Quarterly contribution to change in CPI
June quarter 2005

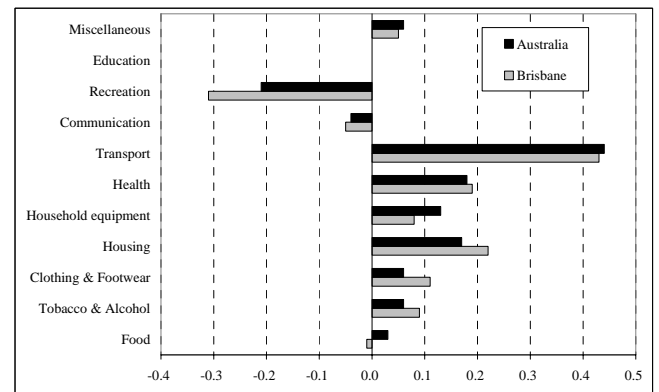


Table 2: Percentage change in the CPI

Capital City	June qtr 2005	
	Quarterly	Yearly
Sydney	0.5	2.4
Melbourne	0.3	2.1
Brisbane	0.5	2.5
Adelaide	0.6	2.2
Perth	1.3	3.8
Hobart	0.5	3.1
Darwin	0.9	2.6
Canberra	0.5	2.1
Australia	0.6	2.5