



Summary

- The national headline consumer price index (CPI) rose 0.9% in September quarter 2005, to be 3.0% higher over the year, a significant strengthening from 2.5% annual growth in the June quarter. However, the result was slightly below market expectations of a 1.1% rise over the quarter (and 3.1% over the year).
- The price index for market sector goods and services, which excludes the more volatile items, rose 0.6% in the September quarter, while annual growth strengthened to 2.0%. Although at the bottom end of 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 September quarter, with the Brisbane CPI rising 0.6%, to be 2.8% higher over the year.
- NOTE: The ABS introduced the "15th series CPI" this quarter. The ABS have identified this as a 'minor review' in that the changes have been largely restricted to updating the weights of the CPI basket, introducing a new Financial Services category (comprising Deposit and Loan Facilities, and Other Financial Services), and the introduction of an Australian hedonic price series for computers.

Analysis

- Nationally, consumer price rises in the September quarter were driven by a strong rise in the price of petrol and therefore transport costs (Chart 2). Solid contributions also came from rises in the cost of house purchase, food prices, and domestic holiday travel and accommodation.
- Brisbane recorded the smallest rise in prices in the country. Food prices as well as house contents and service costs fell in Brisbane, whereas these two components rose in every other state. Interestingly, Brisbane recorded a fall in house purchase costs (more than offset by strong rises in rent, utilities, and property rates and charges), in contrast with house price data which suggests that Brisbane house prices have remained buoyant in recent quarters.

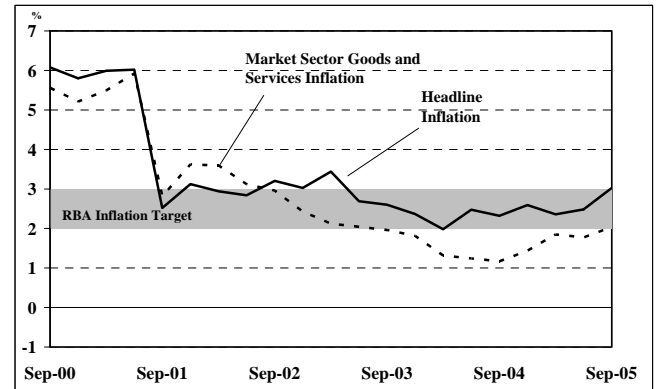
Implications

- The September quarter movement in the Brisbane CPI is at odds with movements in other capital cities, and is also at odds with other published price data. This has resulted in a surprisingly small rise in Brisbane CPI.
- With underlying inflation at the bottom of the RBA target band (2-3%), there would appear to be no immediate pressure on the Reserve Bank to change official interest rates.

Table 1: Percentage change in the CPI - Australia

Inflation	Jun qtr 2005		Sep qtr 2005	
	Qtrly	Yearly	Qtrly	Yearly
Headline	0.6	2.5	0.9	3.0
Market Sector	0.3	1.8	0.6	2.0

Chart 1: CPI annual change, quarterly - Australia



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

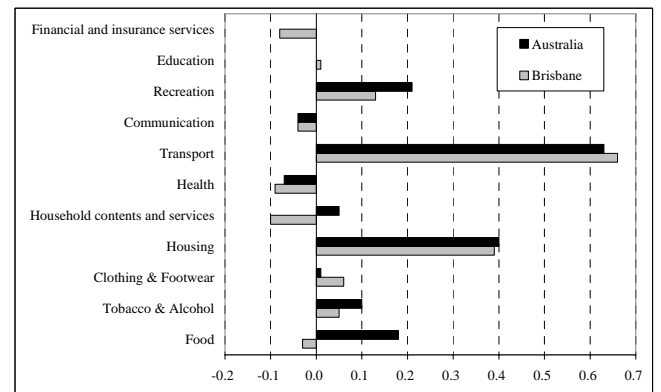


Table 2: Percentage change in the CPI

Capital City	Sep qtr 2005	
	Quarterly	Yearly
Sydney	1.0	2.9
Melbourne	1.2	3.1
Brisbane	0.6	2.8
Adelaide	1.1	3.0
Perth	1.0	4.1
Hobart	0.9	3.5
Darwin	1.0	2.8
Canberra	1.3	2.9
Australia	0.9	3.0