



Summary

Headline CPI inflation:

Queensland	1.8% (quarterly)	4.1% (annual)
Australia	1.6% (quarterly)	4.0% (annual)

Market sector goods and services (core CPI) inflation:

Australia	0.6% (quarterly)	2.0% (annual)
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The national headline consumer price index (CPI) rose 1.6% in June quarter 2006, to be 4.0% higher over the year. This compares with a 0.9% rise in the March quarter (3.0% annually). The June quarter result was above market expectations of a 1.0% rise over the quarter (and 3.4% over the year).

The price index for market sector goods and services, which excludes more volatile items, rose 0.6% in the June quarter, with annual growth increasing slightly to 2.0%.

In response to the national headline CPI increasing above market expectations, the Australian dollar has appreciated by 0.3USc against the US dollar, to 75.55USc. In the bond market, the implied yield of three year bond futures rose above 6% for the first time since June 2002. Following the CPI data release, the Australian stockmarket declined around 50 points.

These market reactions imply that financial markets are anticipating another interest rate rise at the Reserve Bank of Australia (RBA) board meeting in August 2006.

Analysis

Nationally, the rise in consumer prices in the June quarter was mainly driven by price rises in food, housing, health and transport. Partly offsetting these rises, recreation prices declined and clothing and footwear prices recorded relatively slow growth over the quarter.

The rise in food prices was mainly driven by the surge in fruit prices, which was due to adverse weather conditions. Automotive fuel was the main contributor to the rise in transport prices over the quarter.

Similar to nationally, the rise in consumer prices in Brisbane was also mainly driven by transport and food prices. Compared with nationally, Brisbane recorded stronger price rises in housing and clothing and footwear during the quarter. In particular, rent in Brisbane recorded much stronger growth than that nationally (Chart 2).

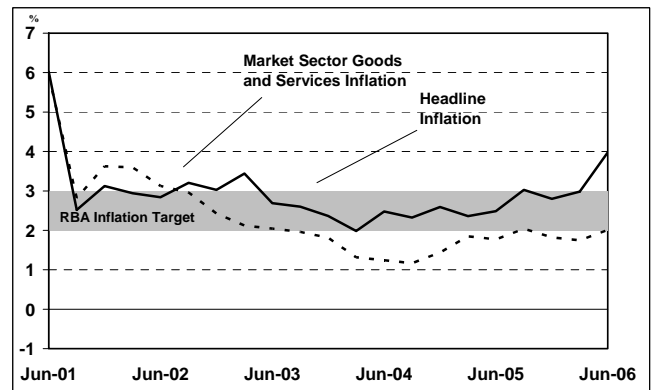
With headline inflation rising significantly above the RBA's 2-3% target band for inflation and core inflation accelerating, it is widely expected that the RBA will raise interest rates at the upcoming board meeting.

The RBA will next announce its official interest rate on 2 August, and release its next quarterly *Statement on Monetary Policy* on 4 August, 2006.

Table 1: Percentage change in the CPI – Australia

Inflation	March qtr 2006		June qtr 2006	
	Qtrly	Yearly	Qtrly	Yearly
Headline	0.9	3.0	1.6	4.0
Market Sector	0.3	1.7	0.6	2.0

Chart 1: CPI annual change, quarterly - Australia



**Chart 2: CPI components
Quarterly contribution to change in CPI
June quarter 2006**

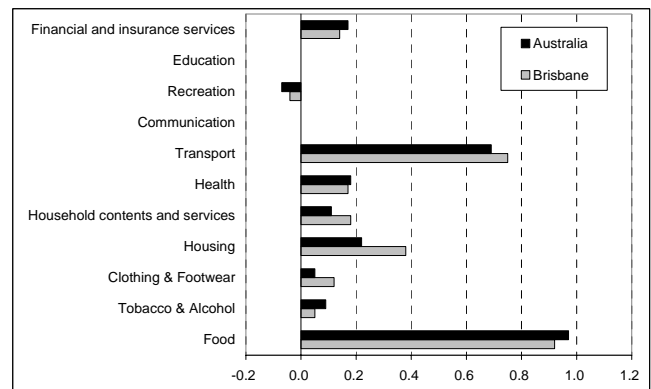


Table 2: Percentage change in the CPI

Capital City	June qtr 2006	
	Quarterly	Yearly
Sydney	1.6	3.8
Melbourne	1.4	3.9
Brisbane	1.8	4.1
Adelaide	1.3	3.8
Perth	1.8	4.7
Hobart	1.2	3.5
Darwin	1.7	4.2
Canberra	1.8	4.8
Australia	1.6	4.0