

Summary

Headline CPI inflation:

Queensland	0.8% (quarterly)	4.4% (annual)
Australia	0.9% (quarterly)	3.9% (annual)

Market sector goods and services (core CPI) inflation:

Australia	0.7% (quarterly)	2.1% (annual)
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The national headline consumer price index (CPI) increased by 0.9% in September quarter 2006, to be 3.9% higher over the year. This compares with a 1.6% rise in the June quarter (4.0% annually). The September quarter result was slightly above market expectations of a 0.8% rise for the quarter (3.8% in annual terms).

While the national CPI growth has softened slightly, growth in the price index for market sector goods and services, which excludes more volatile items, continued to strengthen in the September quarter, to 0.7% (and 2.1% over the year). The reason underlying inflation remained strong despite headline inflation easing is largely due to the decline in the price of non-core CPI items (such as automotive fuel) in the September quarter.

Analysis

Nationally, consumer price rises in the September quarter were driven by increases in the prices of food, housing and housing contents and services. Fruit prices continued to be the main contributor to growth in food prices while the price of vegetables declined over the quarter.

Partially offsetting these increases, the prices of health and education declined, while overall transport prices recorded relatively slow growth over the quarter.

Similarly, food, housing and housing contents and services were the main contributors to the rise in consumer prices in Brisbane. Compared with nationally, Brisbane recorded stronger price rises in housing, transport and clothing and footwear during the quarter, while alcohol and tobacco and recreation recorded weaker price increases in Brisbane.

With labour market data showing that employment growth remains strong and the unemployment rate at a record-low, the Reserve Bank of Australia (RBA) Governor has indicated that price data will be another important indicator in assessing the outlook for the economy. Although today's CPI data show that headline inflation has moderated somewhat, inflation figures remain strong and supportive of further monetary tightening.

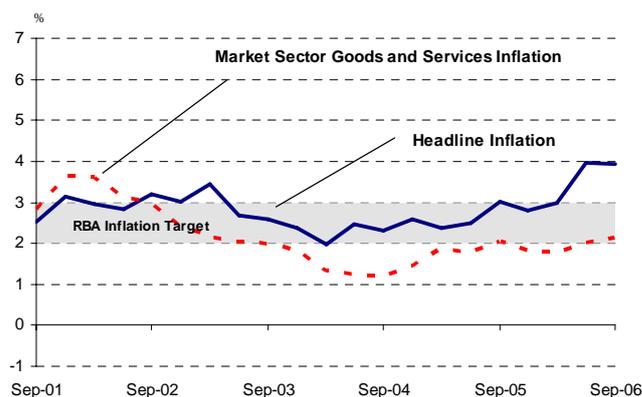
Following the labour market data for September 2006, market expectations remained strong for a further 25 basis point increase in the cash rate. The CPI data released today appeared to confirm market expectations, with the implied yield of 3-month bank bill futures rising by a further 2 basis points, to 6.42%.

The RBA will next announce its official cash rate on 8 November, and release its next quarterly *Statement on Monetary Policy* on 13 November, 2006.

Table 1: Percentage change in the CPI – Australia

Inflation	June qtr 2006		September qtr 2006	
	Qtrly	Yearly	Qtrly	Yearly
Headline	1.6	4.0	0.9	3.9
Market Sector	0.6	2.0	0.7	2.1

Chart 1: CPI annual change, quarterly - Australia



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

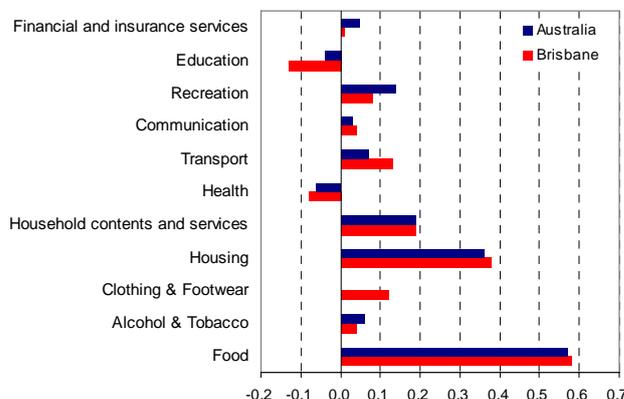


Table 2: Percentage change in the CPI

Capital City	September qtr 2006	
	Quarterly	Yearly
Sydney	0.9	3.7
Melbourne	0.7	3.4
Brisbane	0.8	4.4
Adelaide	1.1	3.8
Perth	1.1	4.8
Hobart	0.7	3.3
Darwin	1.7	4.9
Canberra	0.7	4.2
Australia	0.9	3.9