Media Release

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CPI ON TRACK WITH BUDGET FORECASTS

ABS data shows that the Consumer Price Index (CPI) rose 1.8% in the December quarter and 7.3% over the twelve months.

The annual CPI movement is the highest since 1990 but was expected and is consistent with the forecasts in last night's Budget according to the President of the Real Estate Institute of Australia, Mr Hayden Groves.

"It is not just supply side factors that are causing inflation, a prolonged increase in consumer demand is also contributing. Goods accounted for a little over three quarters of the rise in the CPI over the past year.

"The analytical series of the Trimmed Mean and the Weighted Mean, which excludes large price rises and falls, increased by 6.1% and 5.0% respectively over the past 12 months. The increase in the Trimmed Mean annual inflation was the highest since the ABS first published the series in 2003.

"The increase in the housing group was 3.2% for the September quarter and 10.5% for the year with high levels of building construction activity and ongoing shortages of labor and materials continuing to drive higher prices for new houses.

"This is the largest annual increase since the series commenced in 1999. The quarterly increase, however, eased when compared to recent quarters.

"Rents, measured by a revised series, increased by 2.8% annually on a weighted capital city basis. In Sydney the annual increases of 1.6% and 1.2% respectively were the first annual increases since December 2019 and September 2020 respectively and following period of subdued growth since the onset of the COVID-19 pandemic. This was the third consecutive quarter of rises for these two capital cities, consistent with falling vacancy rates. The remaining capital cities have recorded higher increases in rent.

"With the CPI expected to peak next quarter it is time for the RBA to ease up on its interest rate hikes at its meeting next Tuesday and assess the lagged impact that past increases have had. With GDP growth revised downward in the Budget and the headwinds to consumer spending mounting with rising cost of living pressures including increased mortgage payments squeezing real incomes a continued aggressive policy is risky," concluded Mr Groves.

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