Media Release

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CPI PROVING TO BE STUBBORN

ABS data shows that the Consumer Price Index (CPI) rose 4.0 per cent in the 12 months to May, up from the 3.6 per cent rise in the twelve months to April and 3.5 per cent in the twelve months to March.

“The annual movement for the monthly CPI excluding the volatile items of fruit and vegetables, automotive fuel and holiday travel and accommodation, rose 4.0% cent in May, down from the April figure of 4.1 per cent which was the same as for March,” said Real Estate Institute of Australia President, Ms Leanne Pilkington.

“Whilst this is disappointing it needs to be remembered that the monthly CPI indicator is not as comprehensive as the ABS's quarterly inflation data as it only updates prices for between 62 per cent and 73 per cent of the consumer price index basket. It is the June quarter figure which will be more reliable and be integral to the RBA’s decision at its next Board meeting in August.

“This stickiness in the final hurdle to beat inflation is the same as other countries are experiencing in getting inflation into the target range of their central banks.

“The most significant price rises were housing (up 5.2 per cent), food and non-alcoholic beverages (up 3.3 per cent), alcohol and tobacco (up 6.7 per cent) and transport (up 4.9 per cent).

“Rents are showing a modest but welcome abatement in the rate of increase. Rents increased 7.4 per cent in the 12 months to May, down from 7.5 per cent in April and 7.7 per cent in March.

“The CPI figures need to be taken against the background of an economy that is barely growing. Whilst headline unemployment declined slightly in May, the trend unemployment rate rose a little from 3.9% to 4%, to its highest level since Covid lockdowns. GDP growth in the March quarter it was 0.1 per cent and 1.1 per cent for the year and trending down - on a per capita basis we have had four consecutive quarters of negative growth.

“The current uptick in inflation should not in itself flag an increase in interest rates but a delay in any drop.

“Complicating the timing of any cut in interest rates is the cumulative impact the Federal and state Budgets could have an inflation later in the year. The various ‘cost of living measures’ might increase consumer demand and, with a lag, higher inflation. It would be ironic if these measures lead to higher mortgage costs for longer,” concluded Ms Pilkington.

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