



18 September 2024

# INFLATION AUGUST MONTHLY CPI PREVIEW

Rebates to drive down prices again.

## Key points

- Westpac’s near-cast for the August Monthly CPI Indicator is  $-0.2\% \text{mth} / 2.7\% \text{yr}$ .
- For the September quarter CPI our near-cast is  $0.3\% \text{qtr} / 2.9\% \text{yr}$ .
- Driving prices down in August is the further extension of the household energy rebates (particularly for, but not limited to, NSW and Vic) plus falling auto fuel, holiday travel and garments.
- Pushing prices up in August are rents, dwellings, food, alcohol & tobacco, household contents & services and finance & insurance.
- Being the second month of the quarter, August provides an update on the services surveyed in the mid-month of each quarter.
- Our preliminary August near-cast for market services ex volatile is  $0.3\% \text{mth} / 4.6\% \text{yr}$ .

## Breakdown Sep quarter & Aug Monthly CPI

Item	Sep f/c	Jun	Jul	Aug f/c
	Qtr	Mth	Mth	Mth
	% qtr	% mth	% mth	% mth
<b>Food</b>	<b>0.9</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.5</b>
of which, bread & cereals	0.8	-0.5	1.0	0.0
of which, meat & seafood	0.9	-0.6	1.0	0.1
of which, dairy & related prod.	0.4	0.0	0.0	0.5
of which, fruit & vegetables	2.2	0.3	0.7	1.0
of which, food products nec	0.6	0.0	0.5	0.3
of which, non-alcohol bev.	0.3	0.2	-0.2	0.2
<b>Alcohol &amp; tobacco</b>	<b>1.3</b>	<b>0.0</b>	<b>0.3</b>	<b>0.7</b>
of which, alcohol	1.1	-0.1	0.4	0.8
of which, tobacco	1.7	0.2	0.1	0.5
<b>Clothing &amp; footwear</b>	<b>-0.6</b>	<b>-1.0</b>	<b>0.9</b>	<b>-0.3</b>
of which, garments	-1.2	-1.7	1.3	-0.6
<b>Housing</b>	<b>0.1</b>	<b>0.6</b>	<b>-0.1</b>	<b>-1.3</b>
of which, rents	1.8	0.6	0.6	0.6
of which, house purchases	1.4	0.6	0.4	0.4
of which, electricity	-17.0	0.1	-6.4	-15.0
of which, gas & other fuels	6.0	2.7	5.7	0.3
<b>H/hold contents &amp; services</b>	<b>0.7</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>
<b>Health</b>	<b>0.5</b>	<b>-0.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Transportation</b>	<b>-1.7</b>	<b>0.3</b>	<b>-0.8</b>	<b>-0.5</b>
of which, auto fuel	-5.6	1.2	-2.6	-2.0
<b>Communication</b>	<b>0.9</b>	<b>-0.8</b>	<b>1.7</b>	<b>-0.2</b>
<b>Recreation</b>	<b>0.6</b>	<b>3.4</b>	<b>-1.1</b>	<b>-0.6</b>
of which, holiday travel	0.3	7.0	-2.4	-1.6
<b>Education</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>
<b>Financial &amp; insurance services</b>	<b>1.3</b>	<b>0.5</b>	<b>0.0</b>	<b>0.9</b>
<b>CPI: All groups</b>	<b>0.3</b>	<b>0.5</b>	<b>0.0</b>	<b>-0.2</b>

**“Critical update on energy rebates and services inflation.”**

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# Cost of living rebates continue to drive down the CPI



**Justin Smirk**  
Senior Economist

## Energy rebates started in July

The July Monthly CPI indicator increased 3.5% over the year, down from 3.8%yr in June and marginally higher than Westpac's and the median market expectation of 3.4%yr. As we have previously emphasised, the monthly gauge only provides a partial update on the consumer basket, with the first month of the quarter skewed towards goods and only a small share of household services updated in the month.

The various cost-of-living relief measures, most notably the electricity rebate, had a significant impact in August. The Commonwealth energy bill relief fund rebates flowed to Qld and WA in July, with other jurisdictions to follow from August. Qld, WA and Tas also had state specific rebates. Electricity declined 6.4% in July. Without the rebates, the ABS estimates electricity would have risen 0.9% in July.

Westpac had been expecting a -14% fall in electricity in July but as it is difficult to assess how the rebates will be applied, and the impact on actual bills, estimating their impact and timing can be difficult. We are looking for a further -15% fall in August as the NSW and Vic rebates kick in on top of the existing rebates in the other states. Also recall that the Qld government has provided an additional \$1,000 lump sum rebate which will last over a number of months and could push the net 'out-of-pocket' cost of electricity close to zero in Brisbane (see Chart 1 for the price picture nationally).

## Auto fuel fell in August but food a touch stronger

We estimate that the pump price for auto fuel, both petrol and diesel, fell around 2% in August (see Chart 2) as crude oil continued to weaken on the back of softer demand and robust supply, particularly from North America (see the Commodities Update in the [September Market Outlook](#)).

However, market prices are suggesting we should expect to see firmer consumer fruit & vegetable price rises though August. All up we are expecting food prices to rise 0.5% in August.

## Housing cost pressures continue

Rents gained an average of 0.7% per month through the first half of the year with the last two months seeing a 0.6% rise each month. We are expecting this pace to continue into the first half of 2025 and have pencilled in another 0.6% rise for August (see Chart 3).

## Breakdown Sep quarter & Jul Monthly Indicator

Item	Sep f/c	Jun	Jul	Aug f/c
	Qtr	Mth	Mth	Mth
	% yr	% yr	% yr	% yr
<b>Food</b>	<b>3.6</b>	<b>3.3</b>	<b>3.8</b>	<b>3.5</b>
of which, bread & cereals	3.0	3.4	4.4	2.5
of which, meat & seafood	0.3	-0.2	0.2	-0.2
of which, dairy & related prod.	0.5	1.6	-0.2	0.2
of which, fruit & vegetables	9.9	3.6	7.5	10.0
of which, food products nec	4.3	3.7	4.3	4.4
of which, non-alcohol bev.	5.3	6.1	4.9	5.4
<b>Alcohol &amp; tobacco</b>	<b>6.6</b>	<b>6.9</b>	<b>7.2</b>	<b>6.6</b>
of which, alcohol	3.1	3.4	3.7	2.8
of which, tobacco	13.4	13.8	13.9	14.0
<b>Clothing &amp; footwear</b>	<b>1.8</b>	<b>3.6</b>	<b>1.9</b>	<b>1.7</b>
of which, garments	2.8	4.4	3.1	2.6
<b>Housing</b>	<b>3.0</b>	<b>5.5</b>	<b>4.0</b>	<b>2.6</b>
of which, rents	6.9	7.1	6.9	6.8
of which, house purchases	5.2	5.4	5.0	5.4
of which, electricity	-15.6	7.5	-5.1	-18.3
of which, gas & other fuels	1.7	-0.6	2.7	2.6
<b>H/hold contents &amp; services</b>	<b>0.4</b>	<b>-1.1</b>	<b>-0.9</b>	<b>-1.0</b>
<b>Health</b>	<b>5.4</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>
<b>Transportation</b>	<b>-0.4</b>	<b>4.2</b>	<b>3.4</b>	<b>-0.7</b>
of which, auto fuel	-5.1	6.6	4.0	-6.6
<b>Communication</b>	<b>0.3</b>	<b>1.0</b>	<b>1.9</b>	<b>0.0</b>
<b>Recreation</b>	<b>1.3</b>	<b>0.6</b>	<b>1.1</b>	<b>2.1</b>
of which, holiday travel	0.3	-0.7	0.2	2.5
<b>Education</b>	<b>6.0</b>	<b>5.6</b>	<b>5.6</b>	<b>5.3</b>
<b>Financial &amp; insurance services</b>	<b>6.3</b>	<b>6.4</b>	<b>6.4</b>	<b>6.7</b>
<b>CPI: All groups</b>	<b>2.9</b>	<b>3.8</b>	<b>3.5</b>	<b>2.7</b>

Dwelling prices gained an average of 0.4% per month through the first half of the year, with the last two months seeing a 0.6% and then a 0.4% rise respectively. We are expecting the monthly pace to continue at around 0.4% per month into the first half of 2025 and have pencilled in a 0.4% gain in August (see Chart 4).

## August update on services

Being the second month of the quarter, August provides an update on the services that are only surveyed once a quarter. We update on the following (Westpac forecasts in brackets): meals out & take away foods (0.8%*mth*); hairdressing (0.8%*mth*); other household services (1.1%*mth*); maintenance & repair of motor vehicles (0.9%*mth*); other services in respect of motor vehicles (1.2%*mth*); urban transport fares (-5.8%*mth*); audio visual & computing services (-0.5%*mth*); sports participation (0.9%*mth*); other recreational sporting & cultural services (2.6%*mth*); and insurance (3.9%*mth*). Westpac is forecasting a 0.3%*mth*/4.6%*yr* increase in market services ex volatile items in August; 0.7%*mth*/4.8%*yr* if you exclude holiday travel (see Chart 5).

### August seasonally soft

Based on current seasonal patterns, you could expect a 0.2% fall in August due to seasonality. With rounding this will see the seasonally adjusted Monthly CPI Indicator fall -0.1%*mt*, taking annual to 2.7%*yr*.

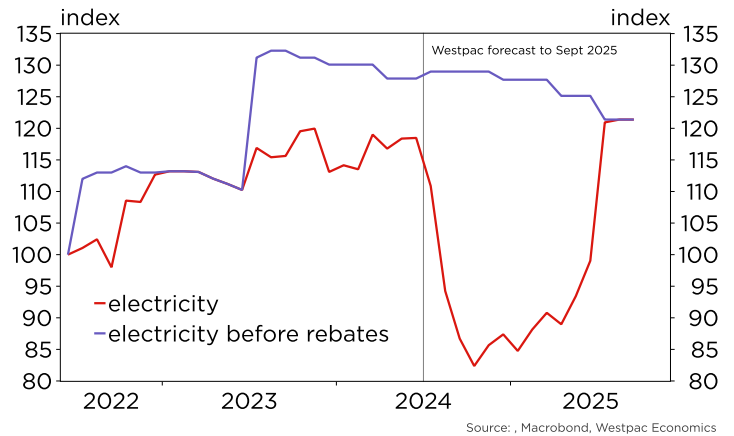
### September quarter CPI 0.3%*qtr*

Westpac's preliminary near-cast for the September quarter CPI is 0.3%*qtr*/2.9%*yr*. Our near-cast for the Trimmed Mean is 0.7%*qtr*/3.5%*yr*.

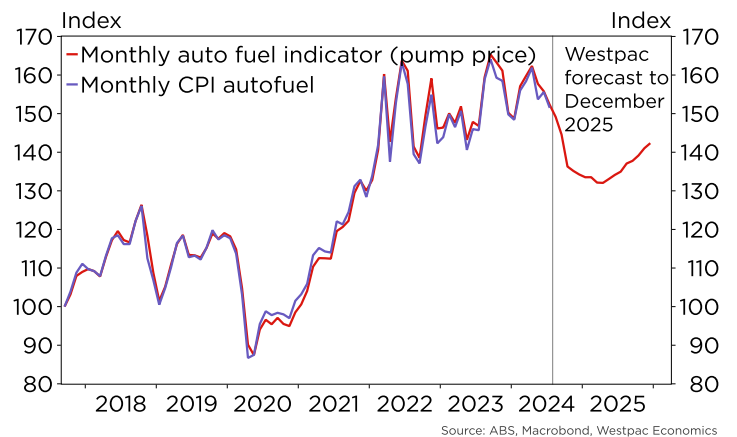
### Inflation expectations continue to moderate

The various near term measures of inflation expectations have moderated from the post-COVID highs while longer term expectations remain reasonably well anchored. The NAB Business Survey estimate of the quarterly change in prices continues to show a deceleration in the annual pace (see Chart 7). But it is worth noting that consumer expectations have recently levelled out at a level that is higher than the pre-COVID average while longer-term expectations (both financial market economists and swap rates) are also a bit higher as well (see charts 8 to 9).

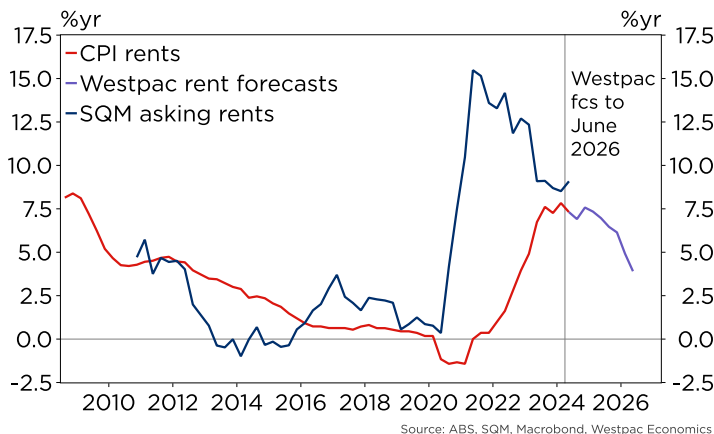
## 1. Rebates again impact on electricity



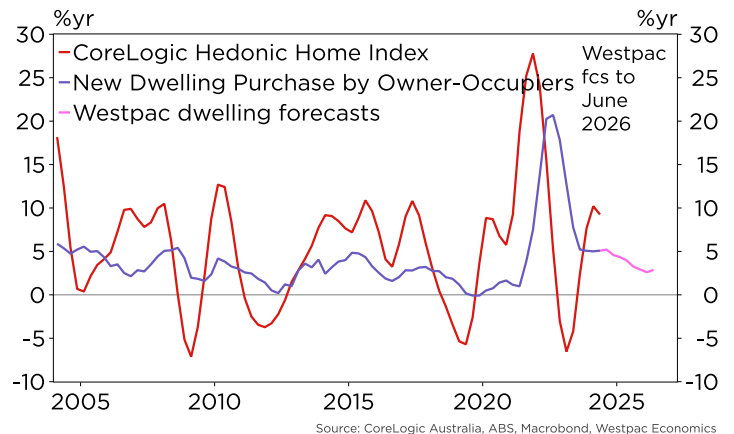
## 2. Auto fuel falling with crude oil



## 3. CPI rent & SQM Research asking rents



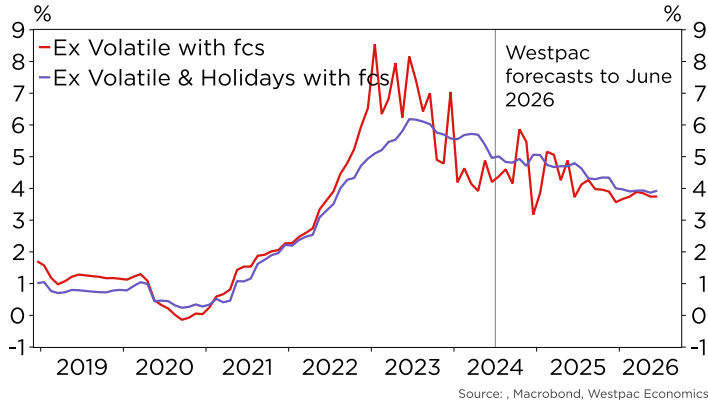
## 4. CPI dwellings & CoreLogic home index



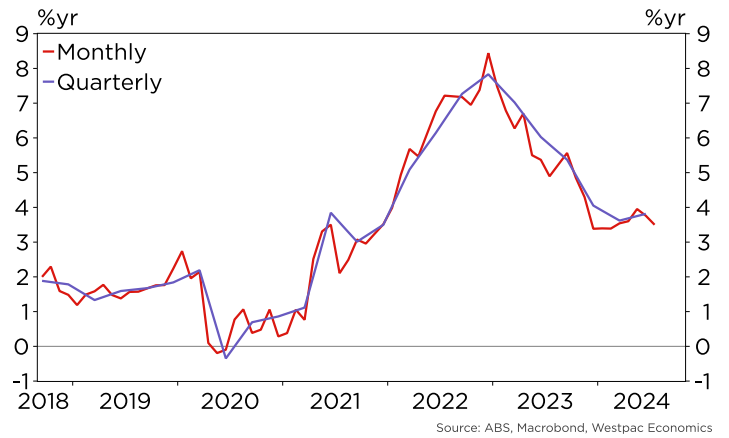
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## 5. Monthly Market Services (Westpac est)

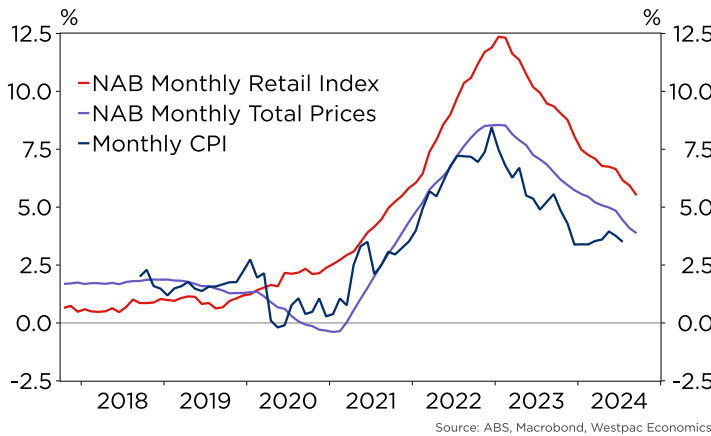
Monthly CPI Indicator Market Services (Westpac Estimates)



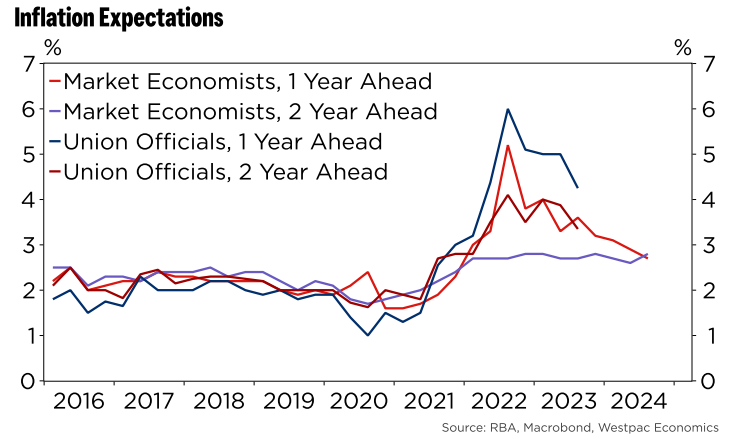
## 6. Quarterly & Monthly CPI



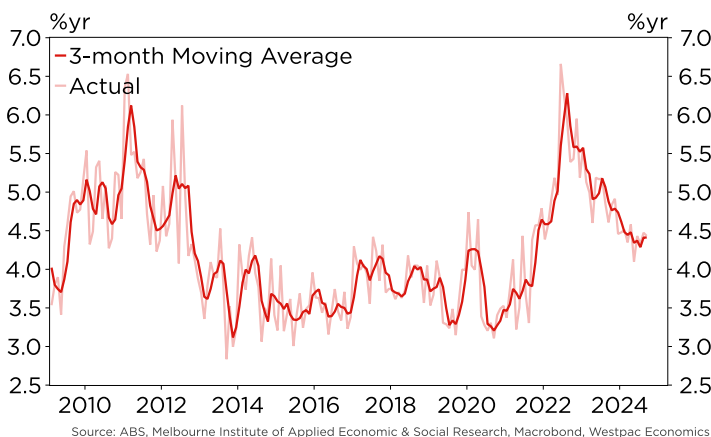
## 7. NAB Business Inflation Expectations



## 8. RBA survey of inflation expectations



## 9. Consumer Inflation Expectations



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