

CONSUMER PRICE INDEX, DECEMBER QUARTER 2016

Summary

During the December quarter 2016:

- The Consumer Price Index (CPI) rose 0.5% nationally and rose 0.3% in Adelaide; and
- Annual CPI inflation to the December quarter 2016 was 1.5% nationally and 1.3% in Adelaide.

The average of the Reserve Bank of Australia's two measures of underlying annual inflation was 1.6% for the year to the December quarter 2016.

Further Analysis

The annual increase in the national CPI of 1.5% was up from 1.3% in the previous quarter.

For Adelaide the annual increase of 1.3% was up from 1.2% recorded in the previous quarter—see Chart 1. Adelaide's annual increase was the equal fifth highest (with Hobart) of the eight capital cities.

The largest annual CPI increase was recorded for Sydney and Canberra (both up 1.8%), followed by Brisbane (up 1.6%), Melbourne (up 1.5%) Adelaide and Hobart (both up 1.3%), Perth (up 0.4%) and Darwin (down 0.4%)—see Table 1.

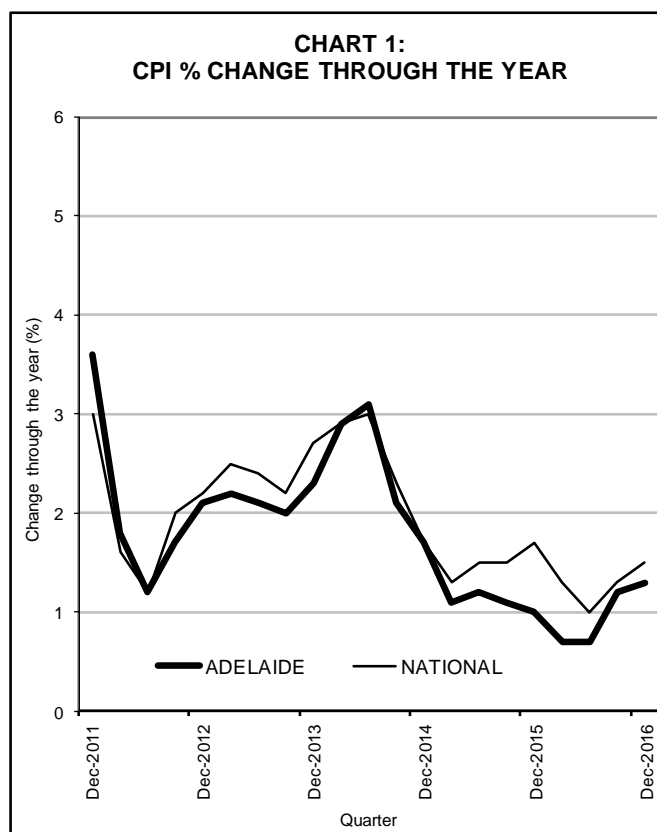


TABLE 1: CPI movement by Capital City

	Dec Qtr 16 vs Sep Qtr 16 (%)	Dec Qtr 16 vs Dec Qtr 15 (%)
Sydney	0.5	1.8
Melbourne	0.7	1.5
Brisbane	0.5	1.6
Adelaide	0.3	1.3
Perth	0.4	0.4
Hobart	0.8	1.3
Darwin	-0.1	-0.4
Canberra	0.6	1.8
National - headline	0.5	1.5
National – underlying*	0.4	1.6

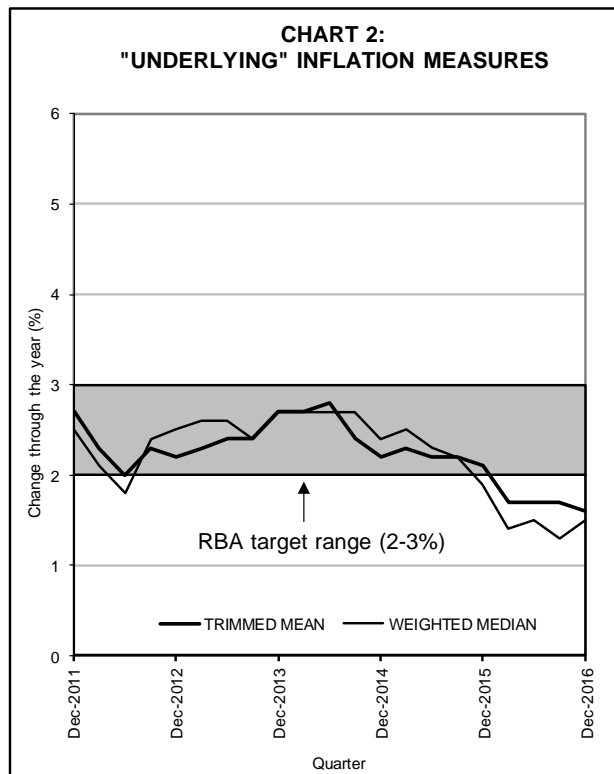
* Average of RBA trimmed mean and weighted median measures

Nationally, the rise in the CPI during the December quarter reflected the impact of rising prices for tobacco (up 7.4%), automotive fuel (up

6.7%), domestic holiday travel and accommodation (up 5.5%), new dwelling purchase by owner-occupiers (up 0.5%), insurance (up 2.0%) and restaurant meals (up 1.1%). The most significant offsetting price fall was for international holiday travel and accommodation (down 2.6%) followed by Accessories (down 5.1%).

In Adelaide, the rise in the CPI during the December quarter reflected the impact of rising prices for tobacco (up 6.5%), automotive fuel (up 6.6%), domestic holiday travel and accommodation (up 3.1%), vegetables (up 4.1%) and restaurant meals (up 2.2%). These rises were partially offset by price falls for accessories (down 7.9%) and household textiles (down 6.5%).

The Reserve Bank of Australia's measures of 'underlying' inflation show annual growth of 1.5% for the weighted median and 1.6% for the trimmed mean. The RBA monitors these two series as part of the process of determining official interest rates. The RBA pays particular attention to underlying inflation ensuring it is in line with the medium term target of 2-3% per annum —See Chart 2.



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TABLE 2: Per cent changes in CPI by component group, December quarter 2016

	National % change In quarter	Adelaide % change In quarter	National % change In year	Adelaide % change In year
Food and non-alcoholic beverages	0.6	0.8	1.8	1.8
Alcohol and tobacco	2.8	2.3	5.9	6.0
Clothing & Footwear	-0.5	-1.3	-0.9	-2.6
Housing	0.3	0.0	1.9	1.4
Furnishings, household equipment & services	-0.8	-1.9	0.6	0.4
Health	-0.6	-0.5	3.7	4.1
Transport	1.7	1.0	-0.3	-1.2
Communication	-0.8	-0.7	-5.9	-6.0
Recreation and culture	0.6	0.2	-0.5	-0.3
Education	0.0	0.1	3.3	2.8
Insurance & financial services	0.6	0.4	2.7	3.1
All Groups	0.5	0.3	1.5	1.3

