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FOR IMMEDIATE RELEASE

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MEDIA RELEASE

Inflation below RBA target band gives plenty of room for further rate cuts

The consumer price index for the June 2012 quarter shows underlying inflation has dropped below the RBA's inflation-target range, and gives ample room for an interest rate cut next week, says the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"The weighted median CPI measure shows that inflation slipped to an annual rate of 1.9 per cent in the June quarter, below the bottom of the RBA's inflation target range of 2 to 3 per cent. This signals there is no current price pressure in the Australian economy and gives ample room for the RBA to cut rates on 7 August," said HIA's Senior Economist, Mr Andrew Harvey.

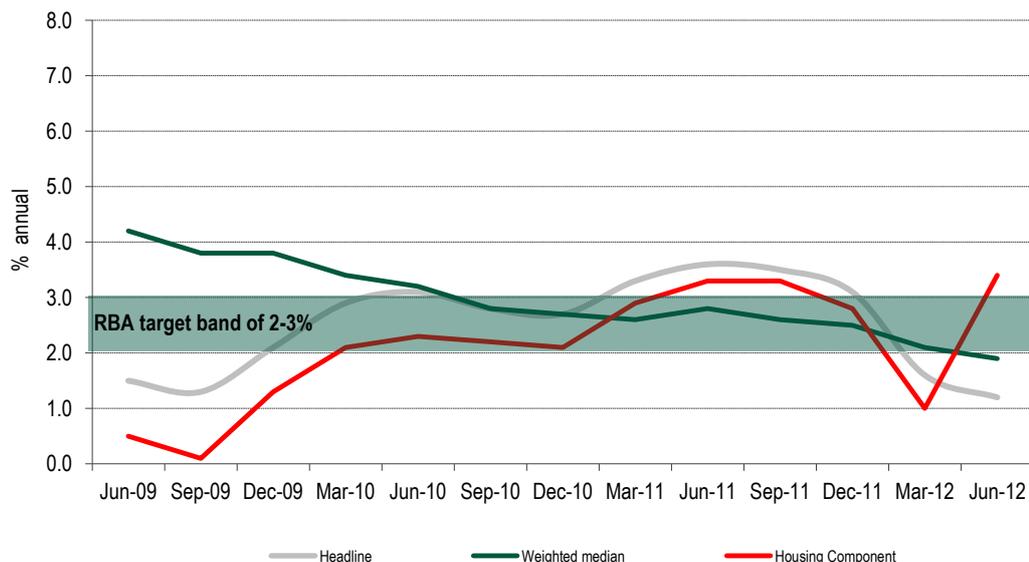
"With Australia's inflation this low the brakes on the economy can be further released. It's time for the RBA to go for growth, not only to bolster consumer and business confidence, but to also assist the many non-resources sectors that face highly challenging business conditions," said Mr Harvey.

"Australia's residential building sector is in recession, and with the combination of Australian households deleveraging, a volatile global economy, and poor consumer sentiment, further interest rate cuts can help ensure a better outlook for the non-mining economy," added Andrew Harvey.

While the RBA concentrates on the underlying measures of inflation it is worth noting that the headline rate of inflation is even lower, coming in at 0.6 per cent in the June 2012 quarter for an annual rate of 1.2 per cent. Meanwhile, rental inflation came in at 1.1 per cent for the quarter (for an annual rate of 4.4 per cent) and housing inflation was 0.4 per cent for the quarter (for an annual rate of 3.4 per cent).

Consumer Price Index

Source: ABS 6401



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