

Inflation remained elevated in April 2022, despite fuel prices dropping

Despite consumer prices falling by 0.1 per cent in April, headline inflation remained above the Reserve Bank of Australia's 2-3% target band at 3.4%, according to the [Melbourne Institute's Monthly Inflation Gauge](#).

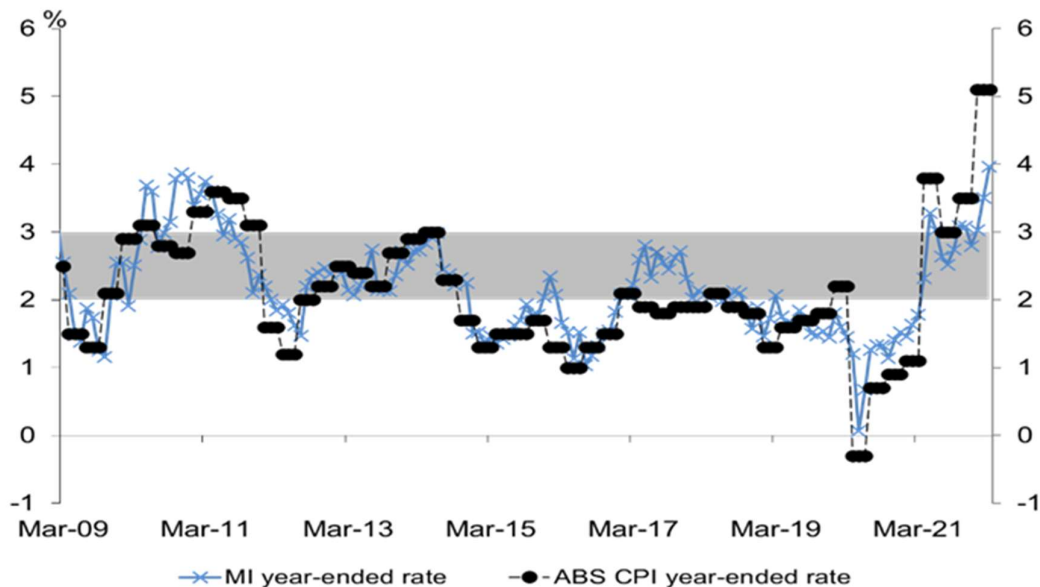
The fall in headline inflation for April is largely associated with a recent decline in fuel prices, which surged in February and March. In contrast, housing-related costs continued to rise in April.

In terms of the trimmed mean measure (which trims away extreme changes such as those associated with recent fuel prices), annual inflation reached 2.6% in April and is therefore close to the top end of the Reserve Bank's 2-3% target band.

Associate Professor Sam Tsiaplias at the Melbourne Institute: Applied Economic & Social Research said, "The results suggest that the March quarter spike was heavily influenced by a combination of war-related fuel price increases and temporary supply-side constraints influencing the housing market."

"Although inflation will remain elevated in the short term, the inflationary effects of such temporary factors will likely moderate in coming quarters, even without aggressive monetary policy. Nevertheless, higher interest rates will speed up the rate at which inflation moderates."

Comparison of annual inflation: ABS CPI and MI Inflation Gauge.



May's Inflation Gauge follows the Australian Bureau of Statistics' CPI release on 27 April. Both the Melbourne Institute's monthly Inflation Gauge measure and the ABS' quarterly CPI measure point to annual headline inflation rising in the March quarter, to be above the upper bound of the inflation target.

The Melbourne Institute Monthly Inflation Gauge Report estimates month-to-month price movements for a wide range of goods and services across the capital cities of Australia using Australian Bureau of Statistics' methodology for calculating the quarterly consumer price index. It aims to provide financial markets and policymakers with regular updates on trends in inflation.

The next Monthly Inflation Gauge report for June 2022 will be released at 11am (AEST), Monday 6 June 2022.

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