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**From:**  
**Sent:** Tuesday, 6 August 2024 5:11 PM  
**To:** CASSIDY, Natasha  
**Cc:** EA - PWL Prices  
**Subject:** FW: Direct Impact of Budget Policies on Inflation [SEC=OFFICIAL]

Hi Tash,

Below is the original briefing on the 2024/25 FY electricity rebates that was sent to the exec in early May. The key points and numbers you should cite as of now are:

**Electricity:**

- Qld (\$1000), WA (\$400) and Federal government (\$300) announced rebates for the 2024/25 FY that would come into effect in the September quarter of 2024.
- The new rebates will reduce headline inflation by around 0.6 ppts on net in September quarter 2024. This would have been closer to 0.8 ppt, but is partly offset by the unwinding of the 2023/24 FY rebates. An alternative way of saying this is the proportion of the rebates that is in excess of the 2023/24 FY rebates will reduce headline inflation by 0.6 ppt.
- The rebates will unwind over 2025, adding around 0.8 ppts to year-ended headline inflation in September quarter of 2025, assuming they are not extended.
- **New info:** the 2024/25 FY rebates will come into effect across July and August months (rather than all in the month of July). This means the full impact of the rebates will not be known until we have both July and August monthly CPI data.

**Rent Assistance:**

- The 10 per cent one-off increase to Commonwealth Rent Assistance will come into effect in late September 2024, reducing December quarter headline inflation by around 0.05 ppts and rent inflation by around 1 ppt.
- This is a permanent increase and does not unwind.

Let me know if you have any questions or need anything else.

Thanks,

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**From:**  
**Sent:** Wednesday, May 15, 2024 6:32 PM  
**To:** EC - Executive  
**Cc:** EA - PWL Prices  
**Subject:** Direct Impact of Budget Policies on Inflation [SEC=OFFICIAL]

Hi Sarah & Marion,

Please see below PWL's estimates of the direct impact of budget policies on inflation. The headline and trimmed mean numbers below do not account for any second round effects on inflation from increased aggregate demand or changed inflation expectations.

**Effects on headline**

For background, our May SMP forecasts did not account for recently announced Qld, WA & Federal rebates, and also assumed that the 2023/24 FY rebates unwound by the September quarter of 2024. This unwinding was assumed to contribute 0.1 ppt to quarterly headline inflation in the September quarter.

The recently announced electricity rebates (Qld, WA, Federal) will directly reduce headline inflation by 0.7 ppts in the September quarter of 2024, relative to our May SMP forecasts.

Increased rent assistance coming into effect late-September 2024 will reduce headline inflation by 0.01 ppt in September and 0.05 ppt in the December quarter.

Updating our May SMP headline inflation forecast for the rebates and higher rent assistance suggests headline inflation will be lower over the year to June 2025 and then higher as the electricity rebates unwind (compare row 2 and 14).

Row Number		Headline Inflation Forecasts										
		Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
1	May SMP 2024:											
2	Headline CPI (year-ended, nsa)	3.8	3.8	3.8	3.7	3.2	2.9	2.8	2.7	2.6	2.6	2.5
3	Headline CPI (quarterly, sa)	1.1	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6
4	Electricity May SMP 2024 (quarterly contribution):	0.1	0.1				0.0					
5	QLD extension	0.0	-0.3	0.1	0.18	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	WA extension	0.0	-0.1	0.1	-0.03	0.1	0.0	0.0	0.0	0.0	0.0	0.0
7	Federal extension	0.0	-0.3	0.02	0.00	0.0	0.4	0.0	0.0	0.0	0.0	0.0
8	Total impact of extensions:	0.0	-0.7	0.2	0.15	0.1	0.4	0.0	0.0	0.0	0.0	0.0
9	Updated Electricity (quarterly contribution):	0.1	-0.6	0.2	0.1	0.1	0.5					
10	Rent May SMP 2024 (quarterly contribution):	0.14	0.13	0.12	0.12	0.11	0.10	0.09	0.09	0.08	--	--
11	CRA increase		-0.01	-0.05								
12	Updated rent (quarterly contribution):	0.14	0.12	0.07	0.12	0.11	0.10	0.09	0.09	0.08	--	--
13	Updated numbers:											
14	Headline CPI (year-ended, nsa)	3.8	3.0	3.2	3.2	2.8	3.8	3.5	3.2	3.1	2.6	2.5
15	revision	0.0	-0.7	-0.6	-0.5	-0.4	0.8	0.7	0.5	0.5	0.0	0.0
16	Headline CPI (quarterly, sa)	1.1	0.2	0.9	0.9	0.8	1.1	0.7	0.7	0.6	0.6	0.6
17	revision	0.0	-0.7	0.1	0.1	0.1	0.5	0.0	0.0	0.0	0.0	0.0

**Effects on trimmed mean**

Electricity rebates and rent assistance mechanically affect trimmed mean by pushing items inside or outside the trim. The size of this mechanical effect is very hard to estimate as it depends on the shape of the distribution in each quarter. We used ‘synthetic trimmed mean’ method to estimate the effect on trimmed mean. This suggests electricity rebates and rent assistance together could subtract *roughly* 0.1 ppt in late 2024, and may add 0.1 ppt in late 2025. As noted above, this doesn’t take into account broader economic effects from aggregate demand.