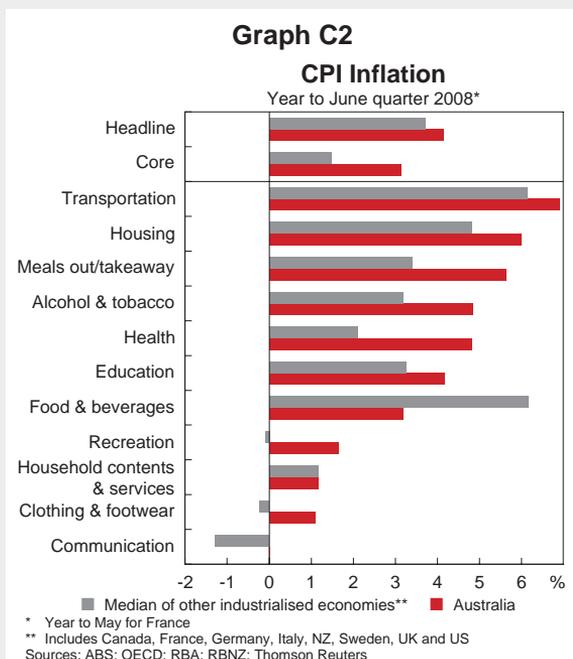
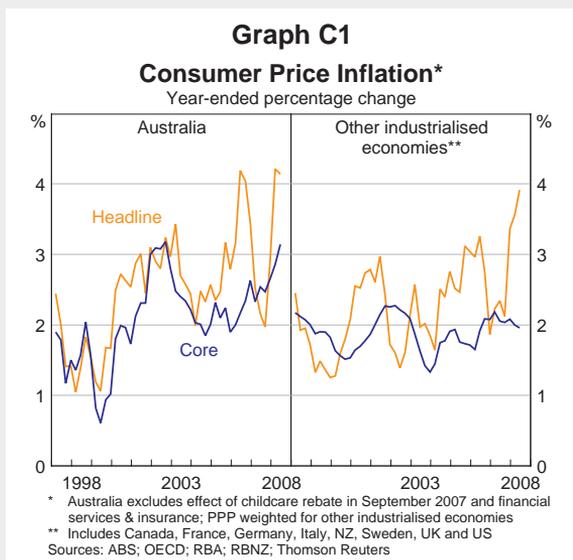


Box C: Inflation in Australia and Other Industrialised Economies



Consumer price inflation has increased significantly in a range of industrialised economies over the past year, with the rate of year-ended inflation in many countries the highest it has been since the early to mid 1990s. The increase has been relatively uniform across these countries, with the weighted-average inflation rate of a representative group of countries (the G7 excluding Japan, plus New Zealand and Sweden) increasing from around 2¼ per cent in mid 2007 to nearly 4 per cent in mid 2008 (Graph C1). The increase over the past year in most industrialised economies has been mainly a result of rising energy and food prices; measures of ‘core’ inflation that exclude these factors have generally been relatively stable or fallen.

In contrast, the increase in CPI inflation in Australia is not due only to energy and food prices. Measuring ‘core’ inflation in a broadly similar manner to that used in other industrial countries, inflation excluding food and energy and financial services has increased from around 2 per cent to 3 per cent over the past few years in Australia. This calculation indicates that inflation pressures here have been more broadly based over the past couple of years than in other countries. Indeed, inflation in

Australia is now higher than the median of comparable countries in nearly all of the 11 major CPI categories (Graph C2). ↗