

Now&Next

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What's in store for rising prices?





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What's the outlook for inflation – and how can you save on everyday expenses?

Australians have been struggling with inflation for more than two years now. So, what's causing these sustained price hikes?

One driver is a shortage of materials or commodities. Natural disasters can trigger shortages – many of us recall last year's big floods on Australia's east coast which destroyed crops and pushed up the price of fruit and vegetables. Other times it's geopolitical disruptions, such as Russia's invasion of Ukraine, which squeezed Europe's energy supply and interrupted the export of Ukraine's raw goods to global markets.

Labour shortages, too, can push up costs, as employers pay higher wages to entice and keep scarce staff. Since COVID-19, there's been a labour shortage in many countries, due to sickness and deaths from the virus and also fewer migrant workers and international students.

A greater demand for a product or service can also push up prices. Rents have risen across Australia as the number of new dwellings has not kept up with housing demand.¹³ In an

attempt to control inflation, the Reserve Bank of Australia (RBA) has repeatedly lifted the cash rate to slow spending¹⁴ and reduce demand. But that's also pushed up the cost of mortgages and, consequently, rents.

¹³ Inflation and its Measurement | Explainer | Education | RBA

¹⁴ <https://www.fool.com.au/2023/02/08/if-inflation-has-peaked-why-does-the-rba-keep-raising-interest-rates/#>

Who's most affected?

Older Australians and low-income households are most affected by inflation, according to a national survey from National Seniors Australia. Renters are particularly struggling. Single people and larger households are more affected than two-person households.

Among homeowners, people in their 50s are struggling more than those aged over 60 – probably because more of that older age group have paid off their mortgage.¹⁵

Where we are now

Inflation rose 6.8% in the 12 months to February this year. Housing led the price rise, with costs up a whopping 9.9%. This was followed by price hikes in food and non-alcoholic beverages at 8% and then transport (5.6%).¹⁶

Australia's rate of inflation over the 12 months to February 2023.¹⁷

The biggest driver of housing price rises was the cost of new homes for owner occupiers, up by 13% due to rising costs for building materials and labour. Meanwhile, rents were also up by 4.8% in the 12 months to February 2023. Electricity prices soared in the same period, up by 17.2%.

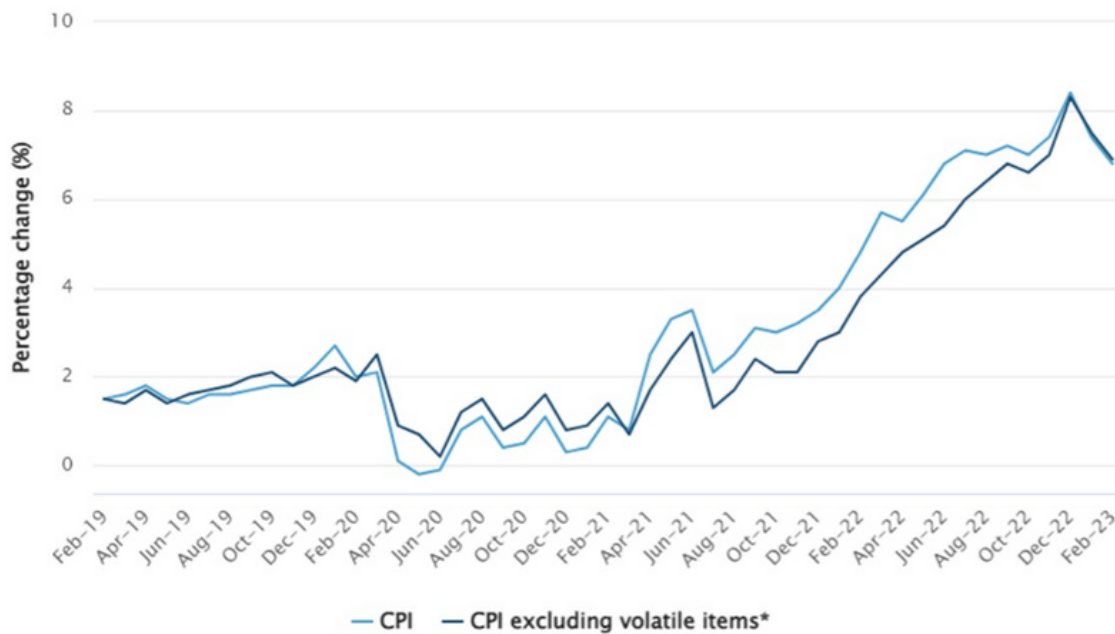
Transport costs are still high, but the cost of petrol is easing. It rose 10.8% between January 2022 and January 2023, but 5.6% in the 12 months between February 2022 and February 2023.

¹⁵ How is the rising cost of living affecting you? – National Seniors Australia

¹⁶ Monthly Consumer Price Index Indicator, February 2023 | Australian Bureau of Statistics (abs.gov.au) Key Statistics

¹⁷ Monthly Consumer Price Index Indicator, February 2023 | Australian Bureau of Statistics (abs.gov.au)

All groups Monthly CPI indicator, Australia, annual movement (%)



*Volatile items are Fruit and vegetables and Automotive fuel

Source: Australian Bureau of Statistics, Monthly Consumer Price Index Indicator, February 2023.

The future of high prices

Inflation is now in decline but will be with us until at least 2024, says the RBA. The Reserve Bank forecasts a slow decrease in inflation over 2023, but it's still likely to remain between 4.75% and 3.25% through 2024.¹⁸ So, what can you do to manage higher costs of living?

Tips to save on common costs

Look for cheaper prices

- ▶ Apps such as Petrol Spy, Fuel Map Australia and Servo Track can help you locate cheaper petrol.
- ▶ Want to save on groceries? Use apps such as Frugl or Half Price to compare prices of major supermarkets.
- ▶ Try websites like Groupon for savings on a wide range of goods and services – from hotel rooms to clothing, technology, events, beauty treatments, meals and more.
- ▶ Need a new appliance or household item? Plan to buy it during end-of-financial-year or other seasonal sales.
- ▶ Use government help and membership discounts
- ▶ If you're over 60, get a Seniors Card.
- ▶ Make the most of government concession cards if you have them.
- ▶ Check whether you're eligible for government rebates on electricity.
- ▶ Some memberships (e.g., unions or insurance companies) allow you to get discounts with their card when you shop at certain places. Check their websites before you shop.

Save money – and the environment

- ▶ Consider repairing or borrowing goods and appliances rather than buying new. Go to op shops for clothing, crockery and gifts.
- ▶ Save on petrol or parking – walk, ride a bike, use public transport or carpool.
- ▶ Join the local Buy Nothing and Buy Sell and Swap groups on Facebook.
- ▶ Replace some meat meals with cheaper beans and pulses.
- ▶ If you have the time and space, consider growing your own vegetables.
- ▶ Electrify your home. According to Rewiring Australia¹⁹, replacing conventional gas appliances with energy-efficient electric versions, using solar power and an electric vehicle could save up to \$40,000 in energy costs over 10 years.

Clean up your finances

- ▶ Make a realistic budget and follow it, adjusting it as needed.
- ▶ Get rid of online or service subscriptions you don't use.
- ▶ If you have a mortgage, check that you're getting the best interest rate.
- ▶ Compare insurers and internet, phone and electricity providers to see if you can get a better deal elsewhere.



Speak to us to find out more

We are here to help you make the most of your money. So, if you're struggling with the cost of living, talk to us today. We can help you find where to cut costs, and ways to build your wealth even during inflationary times.

¹⁸ <https://www.rba.gov.au/publications/smp/2023/feb/economic-outlook.html>

¹⁹ https://global-uploads.webflow.com/612b0b172765f9c62c1c20c9/639d4e51598a9c13b8a45a80_Electrification%20is%20anti-inflationary%20-%20Saul%20Griffith.pdf