



## PRIME MINISTER

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### ELECTORATE TALK

This week's announcement of a 2.2 percent increase in the Consumer Price Index for the September quarter is welcome news for Australia.

The figures mean that our annual rate of inflation is coming down steadily.

Looking at the trend since the beginning of the year, the figures present a clear perspective of how the government's economic policies are working in the continuing fight against inflation.

The 2.2 percent increase in the September quarter compares with a 2.5 percent increase in the previous quarter and a 3.0 percent increase for the March quarter.

Leaving aside the effects of Medibank on the index for the September quarter last year, the figures show that the 2.2 percent increase in the lowest for 3½ years.

This is an encouraging trend. It must be seen, however, as only a trend.

Inflation still is far too high. Reduction of inflation still is at the core of our economic recovery. We still have a long and hard road ahead before inflation is beaten.

I do not want to over-play the significance of the latest Consumer Price Index figures. I do believe, however, that they show to the electorate that our strategy we have consistently pursued is right for Australia.

One aspect of this quarter's CPI which is especially significant is the sharp reduction in non-food prices.

Prices in this area dropped from 3.3 percent to 1.9 percent in the three month period.

This move in the non-food area is important as it is this index that generally retards any reduction in the CPI.

In many ways, the moves in the non-food area are a more accurate measure of the inflationary pressures in the economy as food prices tend to be cyclical and are frequently at the mercy of seasonal conditions.

Clearly then, this quite sharp reduction in the non-food price index is unmistakable evidence of what happens to prices during periods of wage moderation and wage stability.

This move helps to highlight the point that our arguments to the Conciliation and Arbitration Commission - and also to the trade union movement - on the need for wage restraint are the right arguments. They are working.

I believe our stand on this crucial question of wages has been completely central to this down-ward move in the overall annual rate of inflation in Australia.

I believe that the foundations for a sound, sustainable recovery in Australia's economic climate and for a recovery in the unemployment situation are now emerging.

The task ahead, however, is still considerable.

For instance, the Consumer Price Index for the December quarter will be affected by the inclusion of non-recurring Medibank costs.

There will be some people who will argue - for short-term political reasons - that this December quarter figure means that the Government's strategy will be failing.

This view will not be accepted by Australians who can now judge for themselves that our measures are working, and that our fight against inflation is moving strongly forward.

Australians know that our policies to combat inflation have been carried out with strength and resolve.

Our policies have been planned and implemented over the past ten months in a consistent and coherent manner. We have not strayed from the course we believe to be right. We will not falter in our resolve to maintain our promise to the Australian people - to beat inflation and to get the country moving forward again.

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