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TD Securities – Melbourne Institute Monthly Inflation Gauge

January 2014

The TD Securities – Melbourne Institute Monthly Inflation Gauge increased by 0.1 per cent in January, following a rise of 0.7 per cent in December, and an increase of 0.2 per cent in November. In the twelve months to January, the Inflation Gauge increased by 2.5 per cent, following a 2.7 per cent rise for the twelve months to December.

Contributing to the overall change in January were price rises for education, urban transport fares and utilities, all seasonal adjustments. These were offset by falls in clothing and footwear, holiday travel and accommodation, and newspapers, books and stationery. We did not see significant price changes for fuel or fruit and vegetable prices in January.

The trimmed mean of the Inflation Gauge in January was unchanged following the rise of 0.4 per cent in December, to be 2.7 per cent higher than a year earlier.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “After the shock jump in prices over the December quarter, the first taste of January is certainly a benign one as usually January is a seasonally strong one for our Inflation Gauge, rising on average by 0.4 per cent over the last seven years. If we exclude the seasonal jump in education fees, utility prices and transport fares, price pressures appeared to start 2014 on a particularly soft note, somewhat of a relief after the shock price increases featured in our December report.”

“For the RBA Board meeting tomorrow, we expect the members to note that underlying inflation in the final months of 2013 was much higher than expected, and add in a weak employment report, recent emerging market volatility and the U.S. Federal Reserve tapering schedule, there is much to discuss. The easy decisions are to leave the cash rate at 2.5 per cent and note that the Australian dollar still remains at a high level, leaving an overall neutral bias on the table.” added Ms Beacher.

The February 2014 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 3 March 2014.

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