Melbourne Institute Monthly Inflation Gauge

Monthly inflation fell in May

The Melbourne Institute Monthly Inflation Gauge fell by 0.2 per cent in May, after a 0.1 per cent rise in April. In the twelve months to May, the Inflation Gauge increased by 1.0 per cent, after a rise of 1.5 per cent for the twelve months to April.

Contributing to the overall change in May were price falls for fruit and vegetables (-4.1 per cent), non-durable household products (-2.2 per cent) and holiday travel and accommodation (-1.0 per cent). These were primarily offset by increases in automotive fuel (+2.4 per cent), and insurance and financial services (+0.7 per cent).

The trimmed mean measure of the Inflation Gauge fell by 0.2 per cent in May, after rising by 0.2 per cent in April.

According to Dr Sam Tsiaplias, Senior Research Fellow at the Melbourne Institute, “inflation was either flat or negative for the third time in the last four months. This month, the result was driven by falls in fruit and vegetable prices, as well as falls in non-durables and international holiday travel.”

“Looking at either the headline or trimmed mean measures, annual inflation appears to have fallen to about 1 per cent. Inflation excluding volatile items has also fallen to 1.5 per cent in annual terms. Whichever measure happens to be preferred, it is fairly clear that there is a sizeable gap between target and actual inflation.” added Dr Tsiaplias.

The June 2016 Melbourne Institute Inflation Gauge will be released at 11am AEDT on Monday 4 July 2016.

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The Melbourne Institute Monthly Inflation Gauge is designed to give markets and policy makers a monthly update on inflation trends. Further information can be found in the attached report or by visiting: www.melbourneinstitute.com/miaesr/publications/indicators/tdsec.html

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