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TD Securities – Melbourne Institute Monthly Inflation Gauge

November 2014

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.1 per cent in November, following an increase of 0.2 per cent in October. In the twelve months to November, the Inflation Gauge increased by 2.2 per cent, following a 2.3 per cent increase for the twelve months to October.

Contributing to the overall change in November were price rises for fruit and vegetables (+4.3 per cent), newspapers, books and stationery (+4.1 per cent), and garments (+1.9 per cent). These were offset by falls in automotive fuel (-5.2 per cent), holiday travel and accommodation (-1.6 per cent), and games, toys and hobbies (-8.7 per cent).

The trimmed mean of the Inflation Gauge increased by 0.1 per cent in November, following a similar rise in October, to be 2.4 per cent higher than a year ago.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “Our TD-MI Inflation Gauge revealed that price pressures remained muted over the month of November at the headline level. The weaker AUD failed to see tradable inflation rise more than non-tradable inflation over the month, however data over the past three months reveals a +0.8 per cent uptick in tradable inflation, capturing the sharp AUD declines since mid-July, while non-tradable inflation was flat. A further pick up in tradable inflation is the key risk to a benign inflation outlook.”

“Tomorrow’s RBA Board meeting is unlikely to reveal significant shifts in RBA thinking. We expect the RBA Board statement to repeat that sub trend growth lies ahead, for inflation to remain within targets, even after raising its forecasts in the November Statement of Monetary Policy, that the AUD remains above most estimates of fundamental value, but stating that it is prudent that there be a period of stability in interest rates” added Ms Beacher.

The December 2014 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 19 January 2014.

Contacts:

Annette Beacher
Head of Asia-Pac Research, TD Securities
Tel: 65 6500 8047
Mobile: 65 9008 3122
Email: annette.beacher@tdsecurities.com

Dr. Michael Chua
Melbourne Institute of Applied Economic and Social
Research, The University of Melbourne
Tel: 03 8344 2144
Email: mchua@unimelb.edu.au