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

Contributing to the overall change in October were price rises for automotive fuel (+3.1 per cent), holiday travel and accommodation (+3.6 per cent) and non-alcoholic beverages (+2.0). These were offset by falls in fruit and vegetables (-1.8 per cent), newspapers, books and stationery (-2.0 per cent), and health (-1.0 per cent).

The trimmed mean of the Inflation Gauge rose by 0.1 per cent in October, following a similar rise in September, to be 2.5 per cent higher than a year earlier.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “Our TD-MI Inflation Gauge accurately predicted the decline in annual underlying inflation to 2.6 per cent for the September quarter, as well revealing well ahead of official statistics that the repeal of carbon tax led to a decent fall in electricity prices. For October, we observed many more price increases than declines and annual inflation rates picked a little between September and October, hinting that further inflation downside may be limited. We also note a pickup in tradable inflation, a sign of things to come with the sustained depreciation of the exchange rate from the peak of $US0.95 in early July.”

“Tomorrow’s RBA Board meeting is unlikely to reveal fresh insights ahead of the more comprehensive RBA quarterly assessment released later in the week. We expect the Board statement to repeat the familiar narrative about sub-trend growth lying ahead, inflation being “within target”, the Australian dollar remaining “at a high level”, and that it is prudent that there be a “period of stability in interest rates” added Ms Beacher.

The November 2014 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 1 December 2014.