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TD Securities – Melbourne Institute Monthly Inflation Gauge

July 2015

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.2 per cent in July, following a rise of 0.1 per cent in June. In the twelve months to July, the Inflation Gauge rose 1.6 per cent, the third consecutive pickup in the annual rate.

Contributing to the overall change in July were price rises for property rates and charges (+3.3 per cent), other food products (+5.5 per cent) and non-alcoholic beverages (+2.8 per cent). These were offset by price falls in water and sewerage (-3.6 per cent), alcohol and tobacco (-1.6 per cent), and automotive fuel (-2.3 per cent).

The trimmed mean of the Inflation Gauge increased by 0.1 per cent in July to be 1.5 per cent higher than a year ago.

According to Annette Beacher, Chief Asia-Pac Macro Strategist at TD Securities “Our TD-MI Inflation Gauge accurately predicted the turnaround in tradable inflation in the June quarter and this July reading suggests further upward momentum is in train. The fall in utility prices in July was the result of a state government rebate, and is a one-off. Otherwise, inflation remains well contained, although annual rates may have found a trough”.

“Cautious optimism from the RBA Governor in recent weeks speaks to us that the RBA Board is likely to leave the cash rate at 2 per cent for quite some time. We expect tomorrow’s statement to highlight any changes to the outlook, given that a draft of the Bank’s quarterly assessment of the economy will be made available to the Board members. However, as the RBA wants to keep downward pressure on the Australian dollar, we don’t expect material upgrades to either growth or inflation despite the much weaker exchange rate environment compared with the May assessment.” added Ms Beacher.

The August 2015 TD – MI Inflation Gauge will be released at 10.30am AEST on Monday 31 August 2015.

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