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TD Securities – Melbourne Institute Monthly Inflation Gauge

August 2014

The TD Securities – Melbourne Institute Monthly Inflation Gauge was flat in August, following a rise of 0.2 per cent in July, and a flat result in June. In the twelve months to August, the Inflation Gauge rose by 2.5 per cent, following a 2.6 per cent increase in the previous month.

Contributing to the overall change in August were price rises for fruit and vegetables (+2.3 per cent), furniture and furnishings (+1.3 per cent), and newspapers, books and stationery (+3.8 per cent). These were offset by falls in health (-0.8 per cent), automotive fuel (-3.5 per cent), and holiday travel and accommodation (-1.2 per cent).

The trimmed mean of the Inflation Gauge fell by 0.1 per cent in August, following the increase of 0.4 per cent in July, to be 2.7 per cent higher than a year earlier.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “For the September quarter, using mid-quarter prices, our headline inflation measure rose by a very modest 0.2 per cent, to be 2.5 per cent higher than a year ago, while our trimmed mean measure rose by 0.5 per cent, to be 2.7 per cent higher than a year earlier. We will publish our forecasts for the official ABS June quarter CPI with our September Inflation Gauge report, however, the signal from our Gauge is that inflation pressures have moderated in the quarter”.

“The impact of the repeal of the carbon tax will only be evident with more data points, with utility prices unchanged this month after the usual July upward adjustment.” added Ms Beacher.

“The RBA continues to express uncertainty about Australia’s economic health once the mining boom ends, hence for tomorrow’s board meeting we expect more of the same “stability in interest rates” and hitting the exchange rate with a feather via “it remains high by historical standards”. At least with inflation remaining comfortably within the target band, we can all resume monitoring local data and global events.” added Ms Beacher.

The September 2014 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 6 October 2014.

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