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TD Securities – Melbourne Institute Monthly Inflation Gauge

January 2016

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.4 per cent in January, following an increase of 0.2 per cent in December. In the twelve months to January, the Inflation Gauge rose by 2.3 per cent after a rise of 2.0 per cent for the twelve months to December.

Contributing to the overall change in January were seasonal price rises for health (+3.4 per cent) and education (+2.3 per cent) as well as communication (+1.2 per cent). These were primarily offset by a second consecutive month of falling fuel prices (-4.8 per cent in January after -3.1 per cent in December) and a 3.8% fall in the price of holiday travel and accommodation.

The trimmed mean measure of the Inflation Gauge rose by 0.2 per cent in January, to be 2.3 per cent higher than a year earlier.

According to Annette Beacher, Chief Asia-Pac Macro Strategist at TD Securities “There was a great deal of misplaced hysteria about the December quarter inflation report, associated with a perceived surprise pop in inflation pressures. In fact, annual underlying inflation decelerated to 2.0 per cent, exactly in line with market and RBA expectations”.

“Turning to January, our Gauge reflects the usual seasonal jump in health and education expenses, offset a little by another decent step down in fuel prices. We also draw attention to the monthly and annual jump in tradable inflation, further confirmation that the weaker exchange rate is feeding through into higher imported costs. We know the RBA is watching this pass-through very closely.” added Ms Beacher.

The February 2016 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 29 February 2016.

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