



EMBARGO: Not for publication before 10.30am Monday 1 June, 2015
TD Securities – Melbourne Institute Monthly Inflation Gauge

May 2015

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.3 per cent in May, following a similar rise in April. In the twelve months to May, the Inflation Gauge increased by 1.4 per cent, in line with the low annual growth rates seen so far this year.

Contributing to the overall change in May were price rises for fuel (+4.3 per cent), tobacco (+1.1 per cent) and rent (+0.6 per cent). These were offset by falls in holiday travel and accommodation (-0.5 per cent), newspapers, books and stationery (-1.3 per cent), and non-alcoholic beverages (-2.2 per cent).

The trimmed mean of the Inflation Gauge rose by 0.4 per cent in May, following the 0.2 per cent rise in April, to be 1.3 per cent higher than a year earlier.

According to Annette Beacher, Chief Asia-Pac Macro Strategist at TD Securities, “Using mid-quarter prices, our June quarter headline inflation measure rose by 1.0 per cent, while our trimmed mean measure rose by 0.6 per cent. While these are solid price increases, they are weaker than that observed a year ago, hence why annual rates remain benign. While we will finalise our June quarter CPI forecasts with our June Inflation Gauge report, at this stage we see annual underlying inflation easing into the bottom half of the RBA’s two to three per cent target range.”

“The RBA has expressed some doubt about the reliability of the capital expenditure survey, however, the persistent weakness in 2015-16 services investment plans cannot be dismissed, and low inflation is no impediment to further easing should that be required. We expect this tone and explicit easing bias to be voiced at tomorrow’s RBA Board meeting, along with leaving the cash rate at 2 per cent.” added Ms Beacher.

The June 2015 TD – MI Inflation Gauge will be released at 10.30am AEST on Monday 6 July 2015.

Contacts:

Annette Beacher

Chief Asia-Pac Macro Strategist, 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