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TD Securities – Melbourne Institute Monthly Inflation Gauge

November 2015

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.1 per cent in November, after a flat result in October. In the twelve months to November, the Inflation Gauge increased by 1.8 per cent, a similar rise for the twelve months to October.

Contributing to the overall change in November were price rises for fruit and vegetables (+3.7 per cent), newspaper, books and stationery (+5.2 per cent), and medical, dental and hospital services (+1.3 per cent). These were offset by price falls in holiday travel and accommodation (-0.8 per cent), rents (-0.8 per cent), and fuel (-1.3 per cent).

The trimmed mean of the Inflation Gauge was flat in November, to be 1.6 per cent higher than a year ago.

According to Annette Beacher, Chief Asia-Pac Macro Strategist at TD Securities, “Using mid-quarter prices, our December quarter headline inflation measure rose by 0.4 per cent, while our trimmed mean measure rose by 0.2 per cent. While we will finalise our official CPI forecasts in January along with our December Inflation Gauge report, at this stage we see annual headline inflation running at a low 1.5 per cent, and underlying inflation easing to 2.0 per cent, in line with the RBA November projection.”

“We expect the RBA Board tomorrow to end the year with a glass half full tone, leaving the cash rate at 2 per cent, and leave the easing bias on the table that was introduced last month. We are of the view that financial markets are not sufficiently pricing the risk that the RBA cuts in 2016, with the trigger being further downside disappointment in inflation.” added Ms Beacher.

The December 2015 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 18 January 2016.

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