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TD Securities – Melbourne Institute Monthly Inflation Gauge

October 2015

The TD Securities – Melbourne Institute Monthly Inflation Gauge remained unchanged in October after a rise of 0.3 per cent in September. In the twelve months to October, the Inflation Gauge rose by 1.8 per cent, following a rise of 1.9 per cent for the twelve months to September.

Contributing to the overall change in October were price rises for tobacco (+1.3 per cent), newspaper, books and stationery (+3.0 per cent), utilities (+1.3 per cent). These were offset by price falls in fruit and vegetables (-1.1 per cent), holiday travel and accommodation (-1.5 per cent), and bread and cereal products (-1.1 per cent).

The trimmed mean of the Inflation Gauge remained flat in October, to be 1.7 per cent higher than a year ago.

According to Annette Beacher, Chief Asia-Pac Macro Strategist at TD Securities, “Our TD-MI Inflation Gauge told us that annual underlying inflation momentum was weak in the September quarter, but we did not listen hard enough and lesson learned. For October, we observed a soft start to the final quarter of 2015, with no net change in prices for both our headline and underlying measures. While tradable prices fell in October, they were offset by an increase in domestic price rises, a split we will be watching closely over the coming months”.

“The outcome of tomorrow’s RBA Board meeting may disappoint some. While the recent inflation report revealed scant pricing power, and this benign October report keeps that theme alive, we see the RBA as reluctant cutters, questioning the firepower of even lower borrowing rates. So even if the Board sees a lower inflation outlook as presented in a draft of the Statement of Monetary Policy, we do not see that as a trigger for a cut just now, but allows for such a move down the track if other sectors of the economy deteriorate.” added Ms Beacher.

The November 2015 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 30 November 2015.

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