PRESS RELEASE

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TD Securities – Melbourne Institute Monthly Inflation Gauge
September 2015

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.3 per cent in September, following a rise of 0.1 per cent in August. In the twelve months to September, the Inflation Gauge increased by 1.9 per cent, the highest annual rate since November 2014.

Contributing to the overall change in September were price rises for tobacco (+6.3 per cent, an excise increase), holiday travel and accommodation (+4.5 per cent, also seasonal), fruit and vegetables (+1.2 per cent). These were offset by price falls in fuel (-5.0 per cent), newspapers, books and stationery (-4.2 per cent) and clothing (-0.7 per cent).

The trimmed mean of the Inflation Gauge rose by 0.2 in September, to be 1.6 per cent higher than a year earlier.

According to Annette Beacher, Chief Asia-Pac Macro Strategist at TD Securities, “With this September report we have finalized our September quarter CPI forecasts. We expect headline inflation to jump by 0.8 per cent in the quarter, to be 1.8 per cent higher than a year ago, while we forecast underlying inflation to increase by 0.5 per cent in the quarter, for an annual rate of 2.4 per cent. These forecasts are entirely consistent with the RBA’s August projections.”

“Our tradable and domestic inflation gauges are converging towards an annual rate of 2 per cent, a phenomena that the RBA has already anticipated, whereby the weaker Australian dollar may be boosting imported prices, but benign domestic inflation provides an offset”. 

“We have seen financial markets have been volatile again recently, we expect tomorrow’s RBA Board meeting to be a placeholder, noting the lower exchange rate, China slowdown and that the US Federal Reserve is set to lift the cash rate in due course. We remain of the view that the RBA is comfortable with a terminal cash rate of 2%, offering the occasional dovish comment that keeps the Australian dollar under pressure without explicit jawboning required.” added Ms Beacher.

The October 2015 TD – MI Inflation Gauge will be released at 10.30am AEST on Monday 2 November 2015.