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TD Securities – Melbourne Institute Monthly Inflation Gauge

February 2015

The TD Securities – Melbourne Institute Monthly Inflation Gauge remained flat in February, following a 0.1 per cent rise in January. In the twelve months to February, the Inflation Gauge increased by 1.3 per cent, following a 1.5 per cent rise for the twelve months to January.

Contributing to the overall change in February were price rises for automotive fuel (+4.7 per cent), utilities (+0.8 per cent), and insurance (+1.1 per cent). These were offset by falls in fruit and vegetables (-5.3 per cent), holiday travel and accommodation (-3.0 per cent) and newspapers, books and stationery (-1.2 per cent).

The trimmed mean of the Inflation Gauge rose by 0.2 per cent in February, after posting an increase of 0.3 per cent in January

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “Using mid quarter prices now available, our inflation gauge measure showed mixed price pressures. Our Inflation Gauge rose by 0.1 per cent in the March quarter, while in contrast our trimmed mean measure rose by a sharper 0.6 per cent between November and February. Indeed a two speed story could be unfolding here where we observed a 1.2 per cent decline in tradable inflation against a 1 per cent pick up in non-tradable inflation.”

While we will publish our final forecasts for the official ABS March quarter CPI with our March Inflation Gauge report released later this month, inflation pressures remain relatively benign at the moment which should be supportive for the RBA to cut rates further in this cycle.”

“For the RBA Board meeting tomorrow, we expect Board members to signal a move to an explicit easing bias and to offer easier policy to support demand should that prove necessary. While we favour another couple of months of ‘pause and assess’, we acknowledge Board members are likely to have a robust discussion centred on the weak January Employment and Q4 capex reports, making tomorrow’s board meeting a live decision.” added Ms Beacher.

The March 2015 TD – MI Inflation Gauge will be released at 10.30am AEDT on Thursday 2 April 2015.

Contacts:

Annette Beacher
Head of Asia-Pac Research, 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