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TD Securities – Melbourne Institute Monthly Inflation Gauge

January 2015

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.1 per cent in January, following a flat December. In the twelve months to January, the Inflation Gauge remained at 1.5 per cent for the second consecutive month, after posting a 2.2 per cent rise for the twelve months to November.

Contributing to the overall change in January were price rises for medical products, appliances and equipment (seasonal, +8.9 per cent), audio, visual and computing equipment (+8.7 per cent) and education (seasonal, +2.4 per cent). These were offset by falls in fuel (-13.4 per cent), fruit and vegetables (-2.3 per cent) and furniture and furnishings (-1.6 per cent).

The trimmed mean of the Inflation Gauge rose by 0.3 per cent in January, to be 2.3 per cent higher than a year ago.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “After the surprisingly strong lift in underlying CPI over the December quarter, our first reading for the March quarter is not exactly benign. After a brief dip in December our annual underlying inflation measure rebounded to 2.3 per cent in January. It’s a different story for headline inflation, with the double-digit slump in the fuel price dampening monthly and annual growth rates yet again”.

“While early days, and masked by the fuel price slump, there could be a message in the jump in tradable audio-visual goods prices, with December discounting sharply reversed in January. Such trends bear close watching”.

“For the RBA Board meeting tomorrow, we expect the Board members to have a robust discussion about the impact of the lower Australian dollar and oil price slump on the outlook for domestic activity and prices, the unusual global central banks decisions in recent weeks, and the reasons behind heightened expectations for the Board to deliver a rate cut that day. We do not expect such a drastic shift in the RBA Board’s well-worn and transparent process, instead we favour an unchanged 2.5 per cent cash and a shift to an explicit easing bias to offer easier policy to support to demand should that prove to be necessary.” added Ms Beacher.

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

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