The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.1 per cent in August after a rise of 0.2 per cent in July. In the twelve months to August, the Inflation Gauge increased by 1.7 per cent, following a rise of 1.6 per cent for the twelve months to July.

Contributing to the overall change in August were price rises for international holiday travel and accommodation (+4.0 per cent), newspapers, books and stationery (+5.5 per cent) and alcoholic beverages (+0.8 per cent). These were offset by price falls in fuel (-2.1 per cent), domestic holiday travel and accommodation (-2.0 per cent) and fruit and vegetables (-0.5 per cent).

The trimmed mean of the Inflation Gauge was flat in August, to be 1.5 per cent higher than a year earlier.

According to Annette Beacher, Chief Asia-Pac Macro Strategist at TD Securities, “Using mid-quarter prices, our September quarter headline inflation measure rose by only 0.3 per cent, however, there is a history of underestimating the third quarter official measure, hence our official CPI forecast at present is 0.7 per cent. Our trimmed mean measure rose by 0.2 per cent, and our preliminary forecast for underlying inflation is for an increase of 0.5 per cent for the September quarter. While we will finalise our forecasts with our September Inflation Gauge report, we see annual inflation running at a low 1.7 per cent and 2.4 per cent respectively, comfortably within the RBA’s two to three per cent target range.”

“Australian financial markets have been beaten up in recent weeks, the unexpected regime changes in China playing a significant role. However, confusing the flight to safety rally in bond yields with expectations of imminent RBA easing is rife. In contrast, we expect the RBA Board tomorrow to keep a cool head, looking through the extraordinary volatility of recent weeks. The Board is expected to leave the cash rate at 2 per cent and welcome the decline in the exchange rate, as was the case last month.” added Ms Beacher.

The September 2015 TD – MI Inflation Gauge will be released at 10.30am AEST on Monday 5 October 2015.