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TD Securities – Melbourne Institute Monthly Inflation Gauge
September 2011

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.1 per cent in September, following a 0.1 per cent decrease in August and a 0.3 per cent rise in July. In the twelve months to September, the Inflation Gauge rose by 2.8 per cent, edging lower from the 2.9 per cent rise in the twelve months to August.

Contributing to the overall change in September were (seasonal) price rises for alcohol and tobacco, and automotive fuel. These were offset by falls in fruit and vegetable prices, motor vehicles, and dairy products. The price of fruit and vegetables fell by 5.6 per cent in September, while the price of automotive fuel increased by 3.2 per cent.

The trimmed mean of the Inflation Gauge rose by 0.1 per cent in September, following a flat reading in August.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “Now that we have the full data set for the September quarter, we have finalized our inflation forecasts. We expect headline inflation to rise by 0.3 per cent, to be 3.2 per cent higher than a year ago, while underlying inflation is expected to again rise by 0.6 per cent in the quarter, maintaining the 2.6 per cent annual rate. The overall signal from our Inflation Gauge for this quarter is that the acceleration in prices evident in the first half of this year may have taken a breather. However, the spike in the annual rate of our trimmed measure to 2.8 per cent is a trend worth watching closely for signs of year-end inflation re-acceleration.”

“For the RBA Board meeting tomorrow, a pause in inflation pressure and ongoing ructions in financial markets provides ample ammunition to sit tight. Despite wild swings in global financial markets in recent months, RBA Board communiqué has been balanced with a neutral bias throughout, and recent senior RBA staff speeches continue to voice outright optimism. This ongoing brave public face supports our current view of the RBA remaining on hold at 4.75% for quite some time.” added Ms Beacher.

The October 2011 TD – MI Inflation Gauge will be released at 10.30am AEST on Monday 31 October 2011.

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