



**EMBARGO: Not for publication before 10.30am Monday 6 February, 2012**  
***TD Securities – Melbourne Institute Monthly Inflation Gauge***  
***January 2012***

The TD Securities – Melbourne Institute Monthly Inflation Gauge rose by 0.2 per cent in January, following a 0.5 per cent increase in December and a 0.1 per cent decrease in November. In the twelve months to January, the Inflation Gauge rose by 2.2 per cent, following a 2.4 per cent rise for the twelve months to December.

Contributing to the overall change in January were price rises for utilities, education (seasonal), and transport. These were offset by falls in furniture and furnishings, holiday travel and accommodation, and fruit and vegetables. The price of fruit and vegetables fell by 3.1 per cent in January, while the price for automotive fuel increased by 1.5 per cent.

The trimmed mean of the Inflation Gauge rose by 0.3 per cent in January, following a similar rise in December, to remain 2.2 per cent higher than a year earlier for the third consecutive month.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “The TD-MI Monthly Inflation Gauge correctly anticipated the low outcome for headline inflation for the December quarter, and the first taste of inflation for the March quarter is similarly benign, with the annual inflation rate declining further to 2.2 per cent. It is also encouraging that the underlying measure of inflation is steady at a 2.2 per cent, so both are in the bottom half of the RBA’s two to three per cent inflation target band.”

“While there has been relative financial market stability in recent weeks, the European sovereign debt crisis actually remains far from resolved, there have been sharp downgrades to global growth forecasts by the World Bank and IMF, commodity prices have peaked and growth rates are decelerating, employment growth has stalled and while underlying inflation remained at 2.6 per cent in the final months of 2011, it is expected to decelerate in the coming months. There is clearly ample justification for the RBA Board to take the next step and shift monetary policy into a more accommodative stance tomorrow by lowering the cash rate from 4.25 to 4 per cent. The very strong Australian dollar only adds weight to the RBA easing sooner rather than later.” added Ms Beacher.

The February 2012 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 5 March 2012.

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