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TD Securities – Melbourne Institute Monthly Inflation Gauge
August 2011

The TD Securities – Melbourne Institute Monthly Inflation Gauge fell by 0.1 in August, following a 0.3 per cent increase in July and no change in June. In the twelve months to August, the Inflation Gauge rose by 2.9 per cent, following a 3.2 per cent rise for the twelve months to July.

Contributing most to the overall change in August were price rises for private motoring, furniture and furnishings, and household services. These were more than offset by falls in fruit and vegetables, holiday travel and accommodation, and auto, visual and computing equipment. The price of fruit and vegetables fell by 1.6 per cent in August, following a rise of 1.8 per cent in July.

The trimmed mean of the Inflation Gauge was flat in August, following a rise of 0.2 per cent in July, to be 2.3 per cent higher than a year ago.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “For the September quarter, using mid-quarter prices now available, our headline inflation measure rose 0.3 per cent, to be 3.0 per cent higher than a year ago, while our trimmed mean measure rose 0.2 per cent in the quarter, to be 2.2 per cent higher than a year earlier. We will publish our official September quarter CPI forecasts with our September Inflation Gauge report, which will also incorporate the new 16th series CPI weights, but the signal from our Inflation Gauge so far is that the acceleration in prices evident in the first half of this year may have taken a breather in the September quarter.”

“While GDP growth did stumble in the first quarter, second quarter GDP is shaping up to reverse this weakness, where we expect a quarterly growth rate of around 1 per cent. Looking ahead, we have confirmation that an outsized resource-led private investment boom remains on track, and productivity remains extremely weak, hence inflation pressures remain firmly tilted to the upside for 2012.”

“In the near term, for the RBA Board meeting tomorrow, we expect little diversion from previous themes. The RBA Board is in the enviable position of being able to watch and observe from the sidelines for some time to digest the implications of the domestic two-speed economy, and assess the implications, if any, of recent outsized volatility in global financial markets.” added Ms Beacher.

The September 2011 TD – MI Inflation Gauge will be released at 10.30am AEST on Monday 3 October 2011.

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