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TD Securities – Melbourne Institute Monthly Inflation Gauge
November 2011

The TD Securities – Melbourne Institute Monthly Inflation Gauge fell by 0.1 per cent in November, following a 0.1 per cent rise in both October and September. In the twelve months to November, the Inflation Gauge rose by 2.1 per cent, following a 2.6 per cent rise for the twelve months to October.

Contributing to the overall change in November were price rises for household appliances, utensils and tools, furniture and furnishings, and new dwelling purchase by owner-occupier. These were more than offset by falls in fruit and vegetables, automotive fuel and holiday travel and accommodation. In November, the price of fruit and vegetables fell by 2.1 per cent, while the price of fuel decreased by 3.5 per cent.

The trimmed mean of the Inflation Gauge fell by 0.2 per cent in November, following a rise of 0.1 per cent in October, to be 2.2 per cent higher than a year earlier.

According to Annette Beacher, Head of Asia-Pacific Research at TD Securities, “For the December quarter, using mid-quarter data, our headline inflation measure was unchanged in the quarter, to be 2.1 per cent higher than a year ago, while our trimmed mean measure was also flat in the quarter, to be 2.2 per cent higher than a year earlier. We will publish our official December quarter CPI forecasts with our December Inflation Gauge report on 16 January, but clearly the signal from our Inflation Gauge is that price pressures faded in the final months of 2011, dragged significantly lower by tradable inflation.”

“Third quarter GDP is shaping up to post another strong outcome this week, where we expect another quarterly growth rate of at least 1 per cent, driven by consumption and investment, for annual GDP growth of 2.5 per cent. For the RBA Board meeting tomorrow we caution against rushing into another 25 basis point easing, as the impact may be lost within volatile and unstable global financial markets. Instead, the RBA is in a strong position to voice an easing bias this week, but not deliver another 25 basis point cash rate cut until early 2012 to start the New Year with truly neutral monetary policy for whatever lies ahead.” added Ms Beacher.

The December 2011 TD – MI Inflation Gauge will be released at 10.30am AEDT on Monday 16 January 2012.

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