

ANZ MONTHLY INFLATION GAUGE

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SUMMARY

- In April, prices in the ANZ Monthly Inflation Gauge fell 0.3% m/m for a third consecutive month¹. The annual increase is now 2.6% versus 3.0% last month.
- The monthly decline was driven largely by seasonally lower prices for accommodation services and domestic air transport, with some offset from higher rents and vehicle insurance premiums.
- Inflationary pressures outside of housing remain elusive, with the Underlying Ex-housing Gauge also down 0.3% m/m to be up just 0.8% y/y.

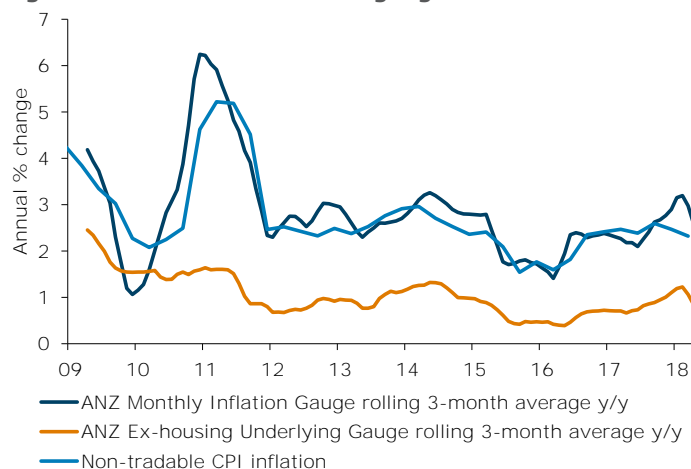
BACK WHERE WE LEFT OFF

The April ANZ Monthly Inflation Gauge fell 0.3% m/m (+2.6% y/y). It has been somewhat of a rollercoaster ride in 2018. January saw the Gauge lift 0.8% m/m – the largest rise in three years, boosted by tobacco prices; in February, fees-free tertiary education helped pull the Gauge down 0.3%; March featured a broad-based price reduction; and in April, higher rents (+0.1%) and vehicle insurance (+1.6%) were no match for seasonally lower prices for accommodation services (-5% m/m) and domestic air transport (-12% m/m). The index level is now unchanged from December 2017.

Prices rose for 9 of the 36 subcomponents in April, but these lifts were small, contributing just 0.06% to the m/m change all up. Conversely, a fall in just 3 categories contributed -0.33% pts.

Outside of housing, evidence of broadening inflationary pressures remains elusive, with our Underlying Ex-housing Gauge up just 0.8% y/y in April. Other indicators of core inflation have remained stagnant, and wages managed to squeeze out only a small gain in Q1. That said, we continue to expect a gradual lift in wages will support a modest broadening in inflationary pressures in time, with the Reserve Bank expected to lift the OCR from mid-2019. But there is certainly nothing in this data to suggest any urgency.

Figure 1: Annual ANZ inflation gauges and non-tradable inflation



Source: ANZ Research, Stats NZ

¹ The ANZ Monthly Inflation Gauge provides a monthly signal of broad movements in Statistics NZ's quarterly non-tradable CPI inflation data. The Underlying Ex-housing Gauge adjusts for indirect taxes and tertiary education fees and removes housing group prices. Data is subject to revision. All annual movements (y/y) are on a rolling 3-month average basis unless otherwise stated.

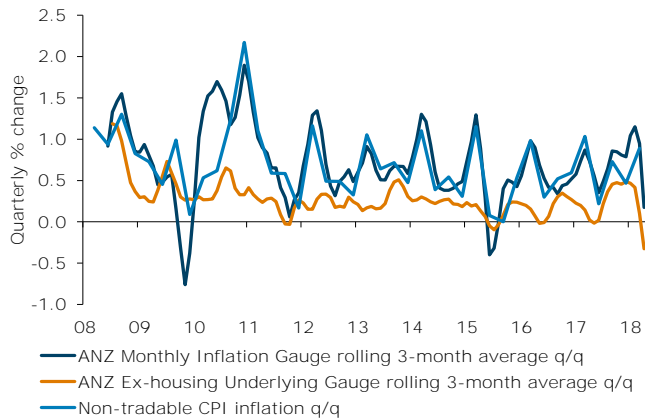
ANZ MONTHLY INFLATION GAUGE

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Dec-16	1291	0.3	0.5	0.6
Jan-17	1297	0.5		
Feb-17	1299	0.2		
Mar-17	1302	0.3	0.9	1.0
Apr-17	1301	-0.1		
May-17	1304	0.2		
Jun-17	1306	0.2	0.4	0.2
Jul-17	1311	0.4		
Aug-17	1315	0.2		
Sep-17	1319	0.3	0.9	0.7
Oct-17	1321	0.2		
Nov-17	1324	0.2		
Dec-17	1331	0.5	0.8	0.5
Jan-18	1341	0.8		
Feb-18	1338	-0.3		
Mar-18	1334	-0.3	0.9	0.9
Apr-18	1331	-0.3		

In this month's release, we have included charts of domestic air transport (figure 4) and accommodation services (figure 5), two of this month's big contributors. The charts show both the ANZ Monthly Inflation Gauge measures and the associated CPI data from Statistics New Zealand (SNZ), to give an impression of both the strong seasonality in these components, and the likely comparability of the current estimates.

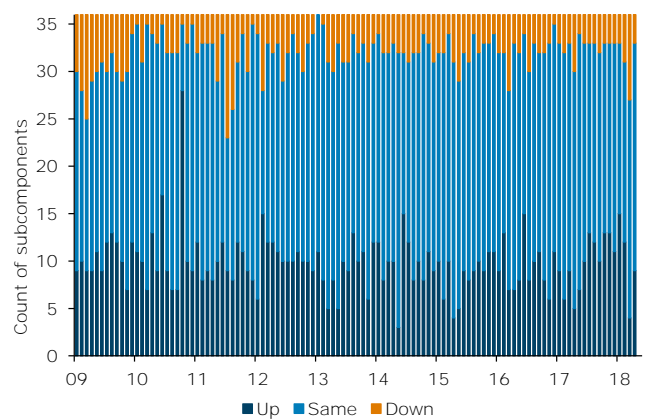
There is an ongoing process of alignment of the Gauge with the sources and methodology used by SNZ². The ANZ domestic air transport sources and methodology was updated in late 2016 to include Jetstar air routes. The recent miss for the accommodation services subcomponent was owing to the Gauge not including 'Overseas accommodation prepaid in New Zealand' after SNZ added it to the CPI basket from September 2017. We intend to include this in the Gauge from Q2 2018.

Figure 2: Quarterly inflation measures



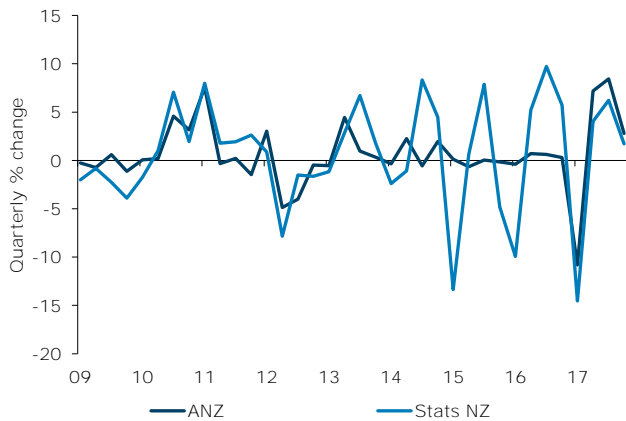
Source: ANZ Research, Statistics NZ

Figure 3: Price moves by direction



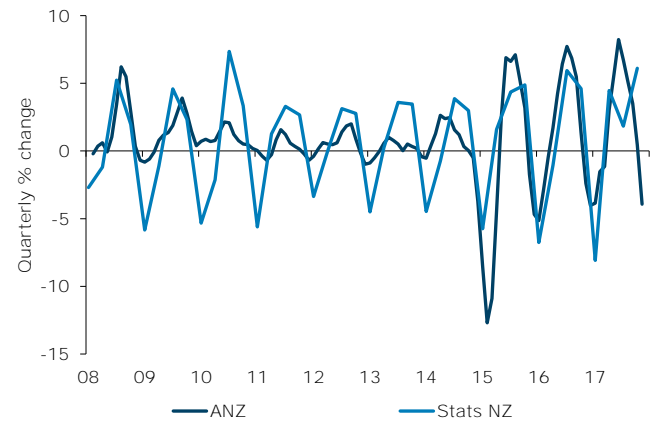
Source: ANZ Research

Figure 4: Domestic air transport



Source: ANZ Research, Statistics NZ

Figure 5: Accommodation services



Source: ANZ Research, Statistics NZ

² SNZ Consumers Price Index sources and methods are available on their website [here](#).

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