

ANZ MONTHLY INFLATION GAUGE

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SUMMARY

- Prices in the ANZ Monthly Inflation Gauge squeezed out a small 0.1% m/m lift in May following three consecutive monthly declines. In annual terms, the Gauge is up 2.3% and has been losing momentum since February.¹
- Inflationary pressures outside of housing have cooled. In annual terms, the Underlying Ex-housing Gauge has moderated from 1.2% y/y in February to just 0.6% y/y currently.

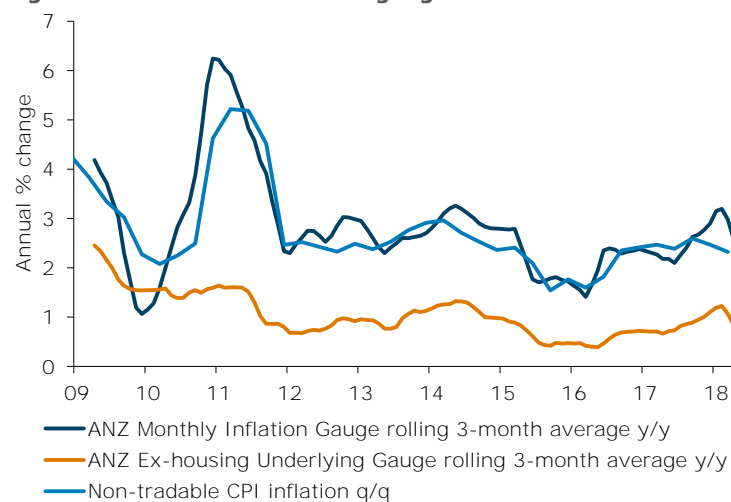
CHILLED TO THE CORE

The May ANZ Monthly Inflation Gauge rose 0.1% m/m (+2.3% y/y) in May. The monthly rise was driven by a small rebound in prices for accommodation services and domestic air transport (following their earlier seasonal decline) – together these contributed 0.09%pts to May's monthly rise. The purchase of housing added another 0.03%pts, and the seasonal lull in rents provided a small offset (after the student flurry), subtracting 0.01%pts.

Inflation in the ANZ Monthly Gauge has been losing momentum. In annual terms, the Gauge was up 2.3% in May, slowing from 3.2% in February when the Gauge was bolstered by respectable monthly gains in December and January. However, this strength has proved temporary, with May's small lift following three consecutive monthly declines. Annual inflation in the monthly inflation gauge suggests that non-tradable inflation has tracked sideways since 2016.

This loss of momentum reflects cooling in inflationary pressures outside of housing. The Underlying Ex-housing Gauge was up just 0.6% y/y in May, compared with 1.2% in February. We expect a gradual lift in wages will support a broadening in non-tradeable inflationary pressures in time, but there is little evidence of this currently. The RBNZ will remain cautious in this environment, with interest rates on hold for a while yet.

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

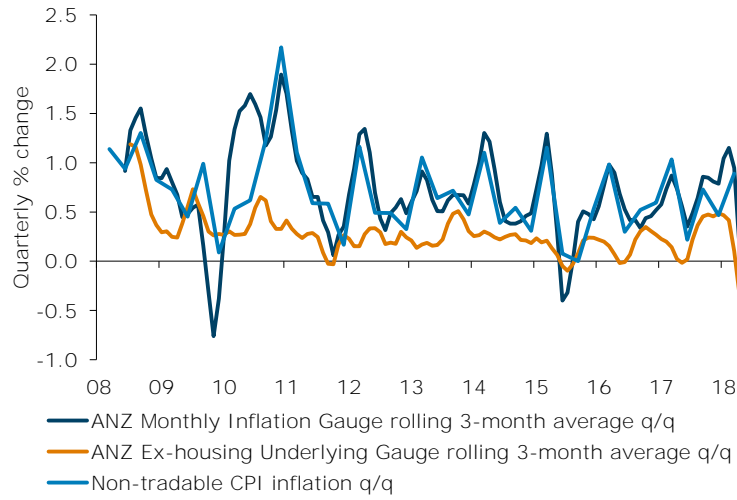


Source: ANZ Research, Statistics NZ

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.

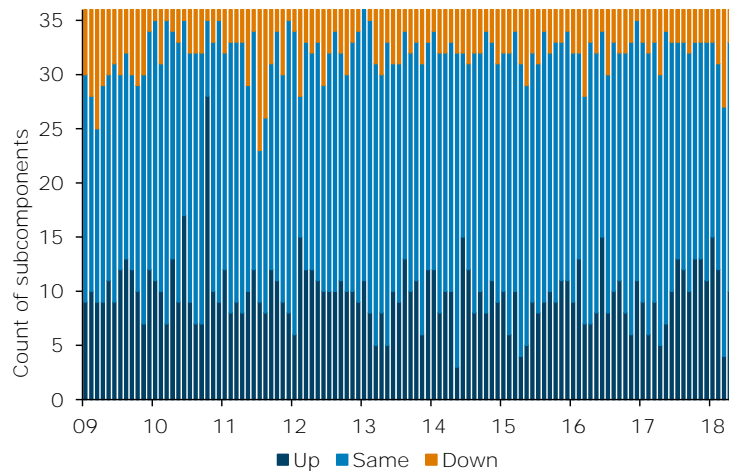
ANZ MONTHLY INFLATION GAUGE

Figure 2: Quarterly inflation measures



Source: ANZ Research, Statistics NZ

Figure 3: Price moves by direction



Source: ANZ Research

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
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		
May-18	1332	0.1		

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