

ANZ MONTHLY INFLATION GAUGE

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The next issue of the ANZ *Monthly Inflation Gauge* is scheduled for release on 11 September 2018 at 1pm.

SUMMARY

- The ANZ Monthly Inflation Gauge rose a solid 0.6% m/m in July, the strongest monthly print since January. The Gauge is up 2.5% y/y, 0.1%pts above the pace recorded in June.¹
- Some strength is unsurprising after Q2 non-tradables CPI inflation came in stronger than implied by the Gauge. The details do not suggest there is catch-up at play, but reaffirm that inflation has come off its lows.

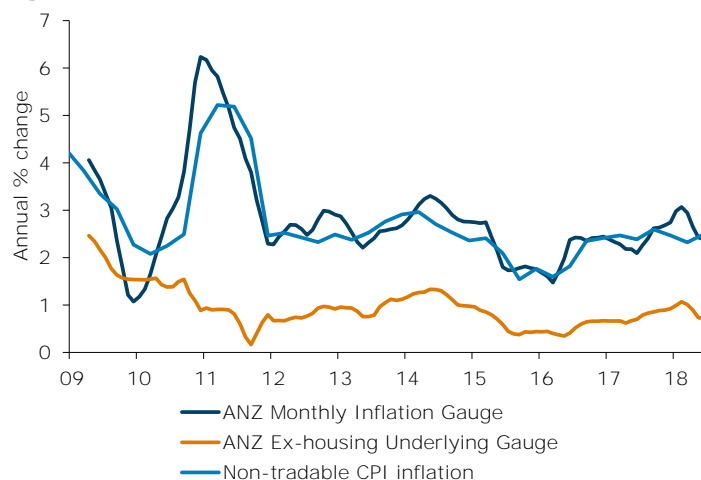
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The ANZ Monthly Inflation Gauge rose 0.6% m/m (+2.5% y/y) in July with a 4.5% m/m increase in rates making the largest contribution (0.34%pts). Accommodation services were close behind, up 5.1% and contributing 0.18%pts – a strong rise for July, driven by the overseas accommodation prepaid in New Zealand component (a recent addition to the accommodation component of the CPI basket). Together, newspapers (5.5% m/m) and postal services (15.6% m/m) made a 0.9%pt contribution. The latter reflects **NZ Post's annual pricing review**, which saw the cost of posting a standard letter rise 20% to \$1.20. Purchase of housing rose 0.3% m/m – a softer pace than its average rate of 0.5% m/m over the past three years. A 6.3% m/m decline in domestic air transport made the only significant negative contribution (-0.07%pts).

In annual terms, the Gauge has picked up a little momentum, up 0.1%pt to 2.5%. The ex-tobacco, alcohol and tertiary fees index and the ex-housing index both lifted 0.1%pt to 2.3% and 0.8% y/y respectively. Weakness in the latter **highlights just how dominant housing-related inflation has been this cycle**. Of the 36 subcomponents in the Gauge, 11 rose, 20 were flat and 5 fell – all consistent with recent ranges.

The Gauge's solid print in July is consistent with Q2's non-tradables CPI outturn, which suggested inflationary pressures are gradually firming. This follows after the Gauge had its largest "miss" since 2010 in Q2. Rather than suggesting a catch-up from Q2, the details (as noted above) reaffirm that inflation has come off its lows.

Figure 1. Annual inflation measures

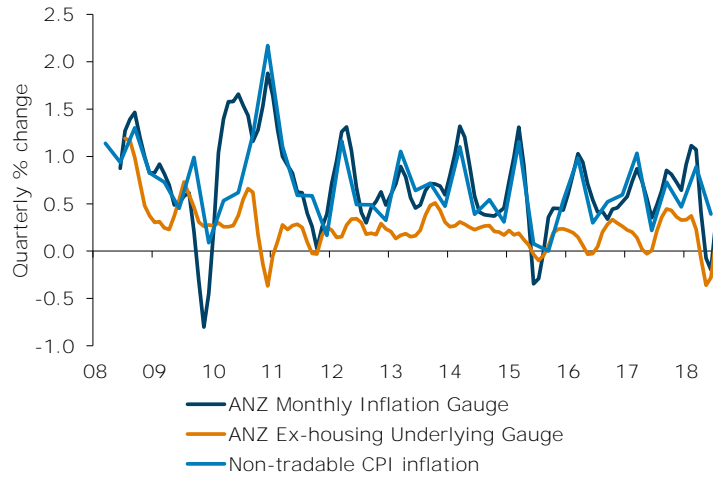


Source: ANZ Research, Statistics NZ

¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.

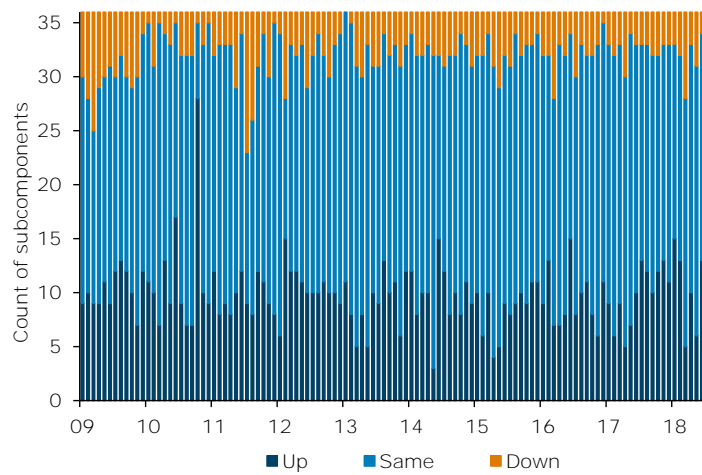
ANZ MONTHLY INFLATION GAUGE

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%)
Mar-17	1299	0.3	0.9	1.0
Apr-17	1298	-0.1		
May-17	1300	0.2		
Jun-17	1303	0.2	0.4	0.2
Jul-17	1308	0.4		
Aug-17	1311	0.2		
Sep-17	1316	0.3	0.9	0.7
Oct-17	1317	0.1		
Nov-17	1319	0.2		
Dec-17	1325	0.4	0.6	0.5
Jan-18	1336	0.9		
Feb-18	1335	-0.1		
Mar-18	1332	-0.2	1.1	0.9
Apr-18	1330	-0.2		
May-18	1331	0.1		
Jun-18	1335	0.3	-0.2	0.4
Jul-18	1343	0.6		

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