

ANZ NZ Monthly Inflation Gauge

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The next issue of the ANZ Monthly Inflation Gauge is scheduled for release on 14 August 2019 at 1pm.

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Feeling peaky

Summary

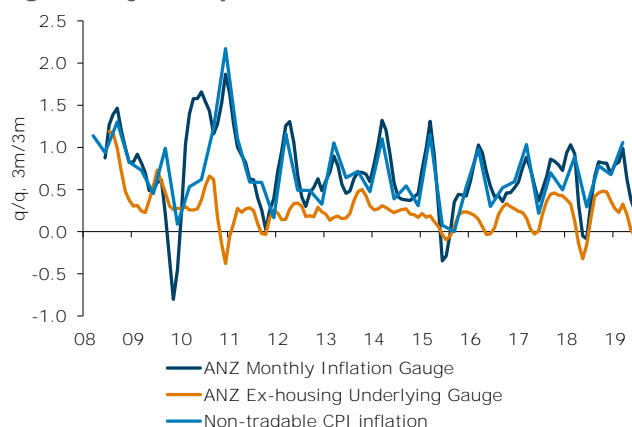
The ANZ Monthly Inflation Gauge was up 0.3% m/m in June, largely supported by insurance and housing-related price gains.¹ Annual inflation in the Gauge ticked up to 2.8% from 2.7%. But **it's increasingly looking like domestic inflationary pressures have peaked for now.**

For the June quarter, the Gauge is pointing to a soft 0.2% q/q rise in non-tradable inflation, which would be the lowest CPI non-tradable outturn since June 2017. The Gauge has come within 0.2%pts for 13 of the last 14 Stats NZ non-tradable inflation outturns.

Key points

- In the June month, dwelling insurance provided over half the total contribution to the rise in the Gauge (+0.18%pts), followed by purchase of housing, restaurant meals, and rents. Insurance prices rose 3.4% in the month, led by strength in dwelling insurance, while a 4% fall in contents insurance provided some offset. Domestic airfares also tempered overall gains with a 9% fall.
- In the quarter, the Gauge rose 0.2%. Looking under the hood, there were a few **offsetting factors. On the upside, Stats NZ's new** rental price measure showed solid gains, contributing 0.16%pts. Restaurant meal prices (a new addition to the Gauge this quarter) were boosted by the minimum wage increase in April, and contributed 0.14%pts. The housing market continues to be a key driver of domestic inflation, with purchase of housing contributing 0.12%pts in Q2.
- Providing an offset in Q2 was a fall in accommodation services and domestic airfares, which are highly seasonal and typically bottom out in the June quarter (figures 5 and 6). Domestic air transport has been volatile in the Gauge recently, but fell 9% q/q in Q2. Accommodation services declined 8% q/q.
- **It's increasingly looking like domestic inflationary pressures have peaked for now.** Looking forward, inflationary pressures look set to ease as spare capacity in the economy grows. We will release our Q2 CPI preview later today.

Figure 1. Quarterly inflation measures



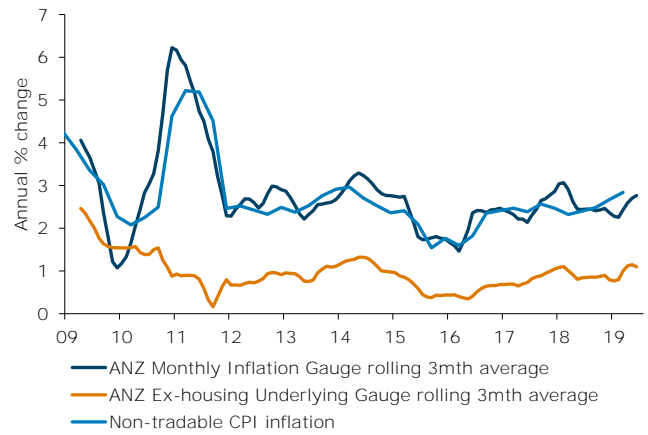
Source: ANZ Research, Statistics NZ

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



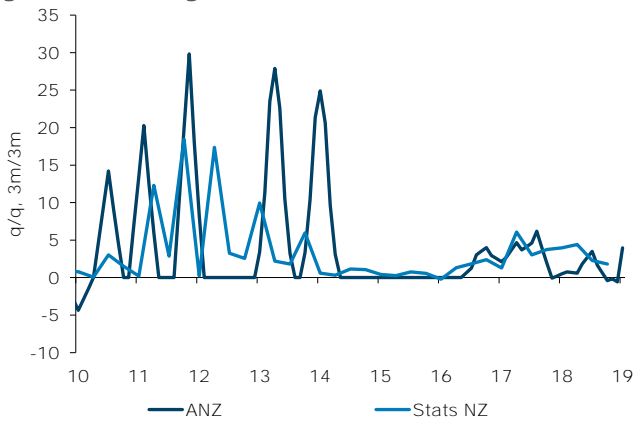
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Mar-18	1331	-0.2	0.9	0.9
Apr-18	1330	-0.1		
May-18	1332	0.1		
Jun-18	1336	0.3	-0.1	0.3
Jul-18	1341	0.4		
Aug-18	1343	0.2		
Sep-18	1347	0.3	0.8	0.8
Oct-18	1352	0.3		
Nov-18	1354	0.2		
Dec-18	1353	-0.1	0.7	0.7
Jan-19	1366	1.0		
Feb-19	1366	0.0		
Mar-19	1366	0.0	1.0	1.1
Apr-19	1367	0.1		
May-19	1369	0.1		
Jun-19	1373	0.3	0.2	

Figure 2. Annual inflation measures



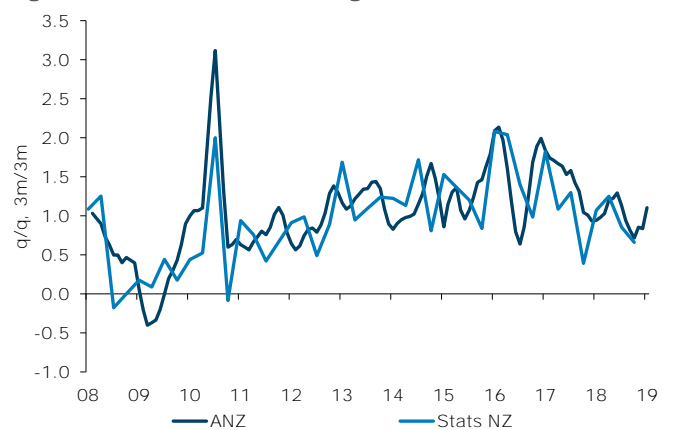
Source: ANZ Research, Statistics NZ

Figure 3. Dwelling insurance



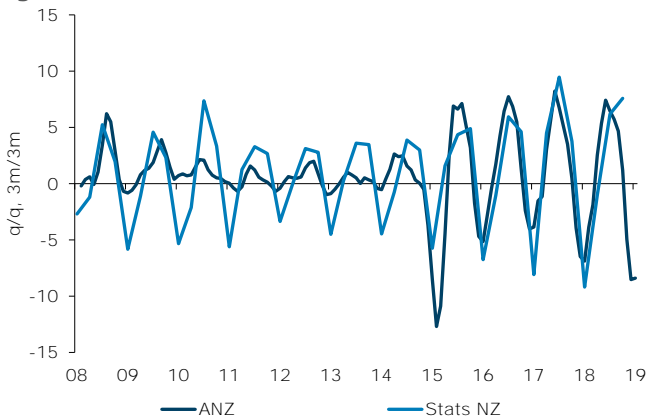
Source: ANZ Research, Statistics NZ

Figure 4. Purchase of housing



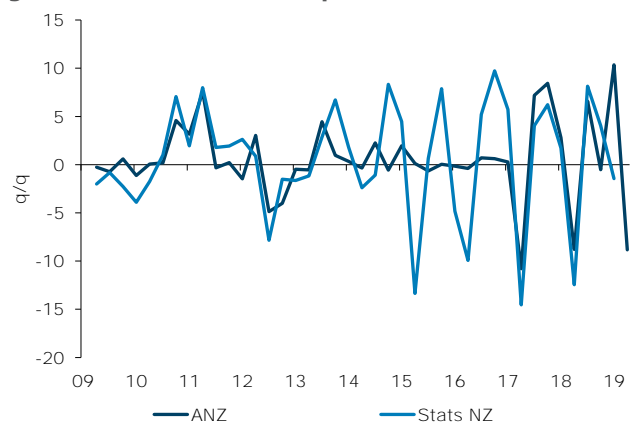
Source: ANZ Research, Statistics NZ

Figure 5. Accommodation services



Source: ANZ Research, Statistics NZ

Figure 6. Domestic air transport



Source: ANZ Research, Statistics NZ



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