

## ANZ NZ Monthly Inflation Gauge

12 February 2019



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The next issue of the ANZ Monthly Inflation Gauge is scheduled for release on 12 March 2019 at 1pm.

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## Not as it appears

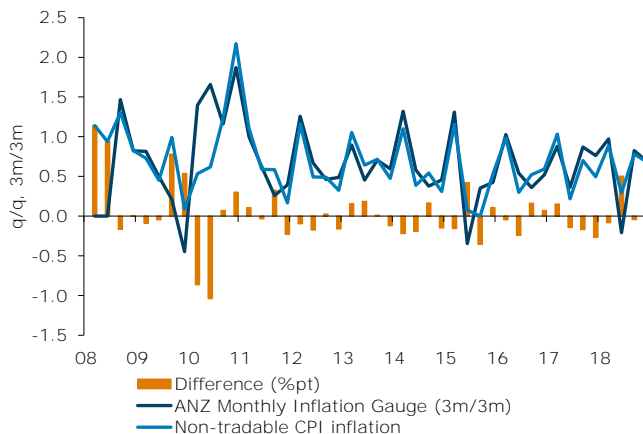
### Summary

The ANZ Monthly Inflation Gauge increased 1.1% m/m in January.<sup>1</sup> But the large monthly rise masks underlying details that are far less dramatic. The overall picture remains one of a slow grind higher in non-tradable inflation.

### Key points

- On the face of it, the 1.1% m/m lift in January looks like a decent nudge higher to start the year – it is the largest monthly rise since late 2015. However, the details are less striking, with boosts coming from annual tobacco and cigarette price rises (9.1% m/m, 3% q/q, see figure 4) and a bounce-back in domestic airfares (+22% m/m, -6% q/q, see figure 3) after an astonishingly large drop in December (-18% m/m). Together these temporary factors contributed 0.7%pts – around two thirds – of **January's** 1.1% monthly rise.
- Overall, 12 of the 36 sub-components rose in January, including small contributions from medical services, rents, hairdressers and electricity, among others. The only components that fell were purchase of housing, sea transport and vehicle and contents insurance, which together provided only a small drag on the Gauge (0.02%pts).
- Looking through monthly volatility, implied quarterly growth from the Gauge is sitting comfortably in a 0.6-0.8% range. Annual growth ticked down from 2.3% to 2.2% (the lowest annual rate since mid-2017). Notwithstanding the miss in June 2018 (the largest miss since 2010), the Gauge has given an accurate read on non-tradable inflation for the last two CPI prints (figure 1).
- Overall, prices are rising in a gradual yet unspectacular fashion on the back of previous strength in the economy. We expect non-tradable inflation will nudge higher in the short term, but then dissipate. Broad-based inflationary pressure is still largely missing, outside of housing, with the Ex-housing Gauge running at just 0.5% y/y, versus a 1.1% y/y run-rate a year ago. One-offs, bounce-backs and offsetting movements in various sectors remain the story for now.

**Figure 1. Quarterly inflation measures**



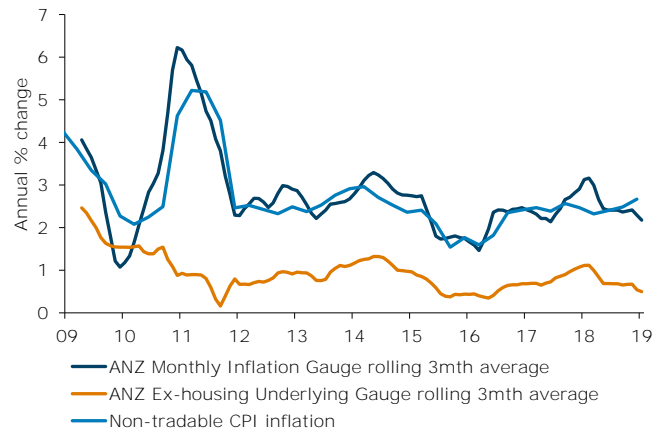
Source: ANZ Research, Statistics NZ

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



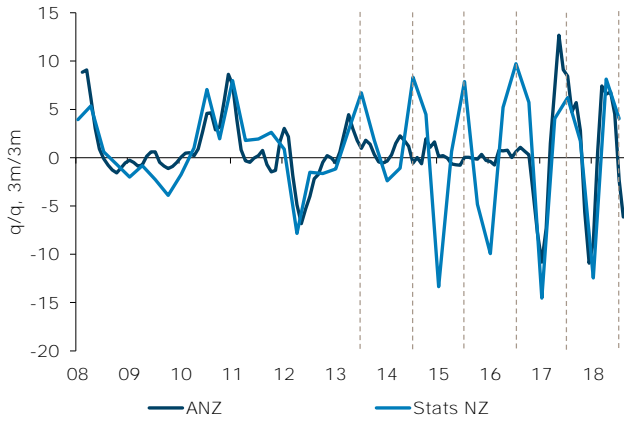
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Sep-17	1316	0.4	0.9	0.7
Oct-17	1319	0.2		
Nov-17	1321	0.2		
Dec-17	1327	0.4	0.8	0.5
Jan-18	1338	0.9		
Feb-18	1335	-0.2		
Mar-18	1332	-0.2	1.0	0.9
Apr-18	1330	-0.2		
May-18	1332	0.1		
Jun-18	1335	0.3	-0.2	0.3
Jul-18	1341	0.4		
Aug-18	1343	0.2		
Sep-18	1347	0.3	0.8	0.8
Oct-18	1352	0.4		
Nov-18	1354	0.2		
Dec-18	1352	-0.1	0.7	0.7
Jan-19	1367	1.1		

**Figure 2. Annual inflation measures**



Source: ANZ Research, Statistics NZ

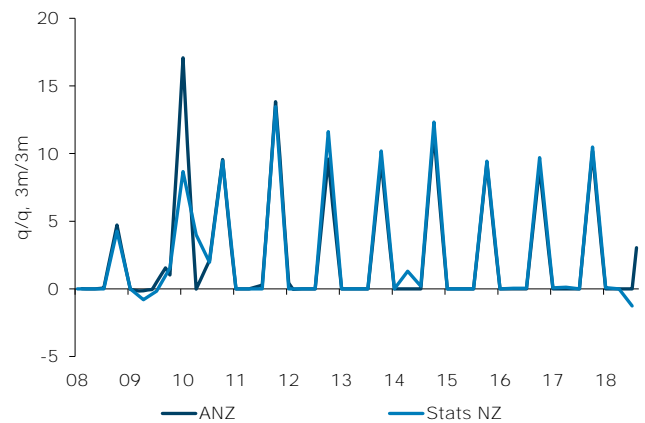
**Figure 3. Domestic air transport**



Source: ANZ Research, Statistics NZ

Note: dashed lines are December quarters

**Figure 4. Tobacco and cigarettes**



Source: ANZ Research



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