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The next issue of the ANZ *Truckometer* is scheduled for release on 9 October 2019 at 10am.

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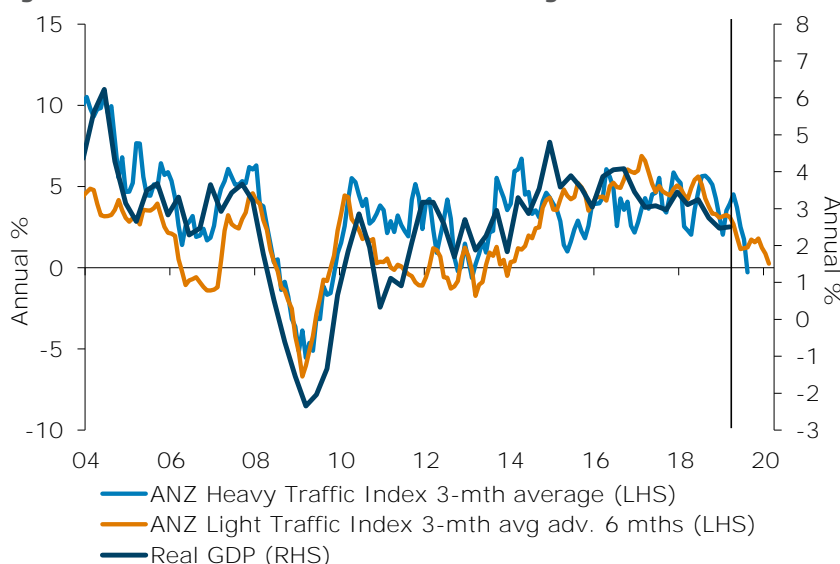
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Turn on the fog lights

Summary

- The ANZ Truckometer indexes were not particularly strong in August. The Light Traffic Index rose 0.3% m/m while the Heavy Traffic fell 4.2% m/m.
- Annual growth in the Light Traffic Index has fallen off its ledge, suggesting that annual GDP growth remains in a trend decline.
- The level of the Heavy Traffic Index has flattened right off – we suspect the reduction in logging activity due to a sharp price fall was a big contributor. **It is not sending good signals about Q3 GDP, though there is a month's data still to come.**

Figure 1. ANZ Truckometer Indexes and GDP growth



Source: ANZ Research, Statistics NZ

Annual growth in the Heavy Traffic Index has taken a dive in the past two months, to its lowest level since 2013. As figure 1 shows, the three-month average of the Heavy Traffic Index is now actually very slightly *lower* than a year ago.

The relationship to GDP has not been as close in recent years but it usually picks the trends fairly well, making the drop somewhat alarming.

However, it is likely that the Heavy Traffic Index is more exposed to logging activity than the broader economy – anecdotally, logging activity has slowed quite sharply in response to a price correction.

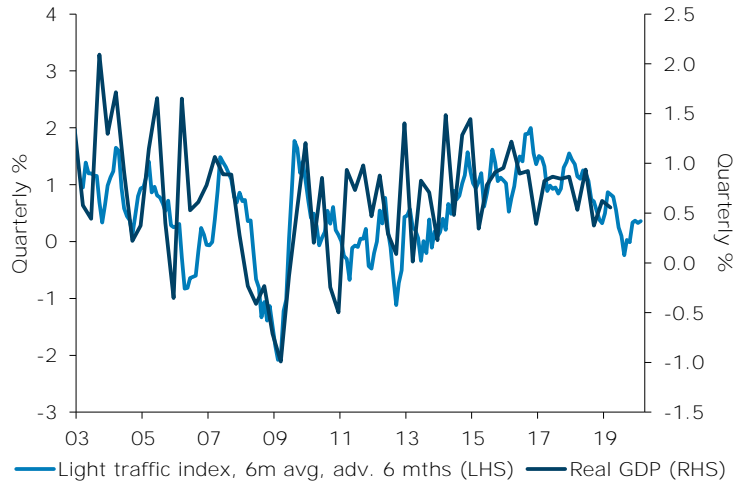
The Light Traffic Index gives a six-month lead on GDP growth.

Despite the small monthly increase, annual growth in the Light Traffic Index has taken another step down from its tentative ledge, putting the downward trend firmly back in place.

Surveys of businesses including the ANZ Business Outlook, the NZIER Quarterly Survey of Business Opinion, and the Business-NZ PMI have been sending downbeat messages about the near-term outlook for some time. This hard data is broadly backing them up, though the fall is so far certainly less extreme than some of the indicators have been showing.

On a quarterly basis, while trending down, the Light Traffic Index is at least suggesting that things may look a bit better in Q4 (figure 2). This would make sense, as a significant easing in monetary conditions has been injected into the economy, via both lower interest rates and the depreciation in the exchange rate.

Figure 2. ANZ Light Traffic Index (adv. 6 months) and quarterly GDP growth

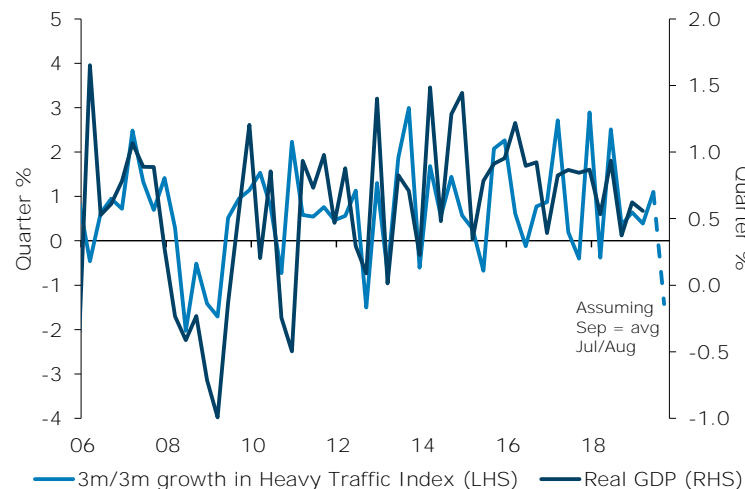


Source: ANZ, NZ Transport Agency

And an optimist can point out that the level of light traffic is not falling, as it did in the 2008/09 recession. It is still at growth rates consistent with positive GDP outturns, albeit modest ones.

The quarterly change in the Heavy Traffic Index isn't a bad indicator for quarterly GDP growth. We have only 2 of 3 months at this point, but we'll need to see a strong bounce-back in September to avoid a very weak signal for Q3 GDP growth (figure 3).¹ We should point out that that is entirely possible that we will see such a bounce-back to rescue the quarter – it can be very volatile. Cross fingers.

Figure 3. ANZ Heavy Traffic Index (adv. 6 months) and quarterly GDP growth



Source: ANZ, NZ Transport Agency

¹ The indicative Q3 data point in the chart assumes September heavy traffic is equal to the average of July and August.



Tables and charts

After adjusting for seasonality, traffic flows lifted on none of the 11 roads in the Heavy Traffic Index in August, and on 3 of the 10 roads in the Light Traffic Index.

	Light Traffic Index			Heavy Traffic Index		
	Index Jan 04 = 1000	Monthly % chg	Annual % chg, 3m avg	Index Jan 04 = 1000	Monthly % chg	Annual % chg, 3m avg
Aug-18	1314	0.9	3.3	1543	1.0	5.7
Sep-18	1302	-0.9	3.1	1520	-1.5	5.4
Oct-18	1307	0.3	2.7	1586	4.3	5.1
Nov-18	1308	0.1	1.9	1550	-2.3	4.3
Dec-18	1285	-1.8	1.1	1484	-4.2	3.1
Jan-19	1311	2.0	1.2	1556	4.8	2.0
Feb-19	1301	-0.8	1.3	1558	0.1	3.5
Mar-19	1309	0.7	1.7	1525	-2.1	3.9
Apr-19	1312	0.2	1.6	1582	3.8	4.5
May-19	1322	0.7	1.8	1592	0.6	3.7
Jun-19	1295	-2.1	1.2	1516	-4.8	2.5
Jul-19	1313	1.4	0.9	1574	3.9	1.7
Aug-19	1317	0.3	0.2	1508	-4.2	-0.3

Figure 4. ANZ Heavy Traffic Index and GDP

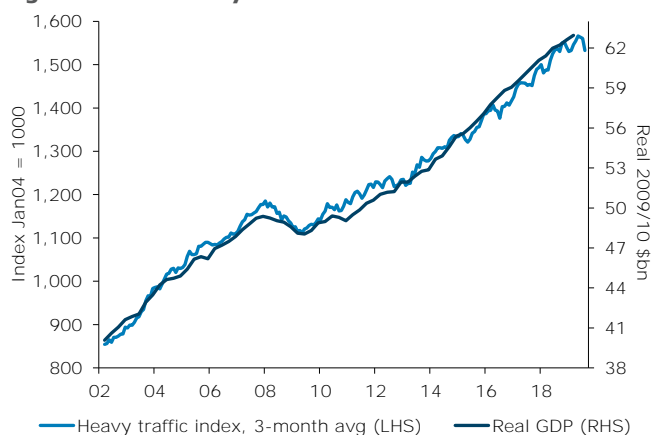


Figure 5. ANZ Light Traffic Index and GDP

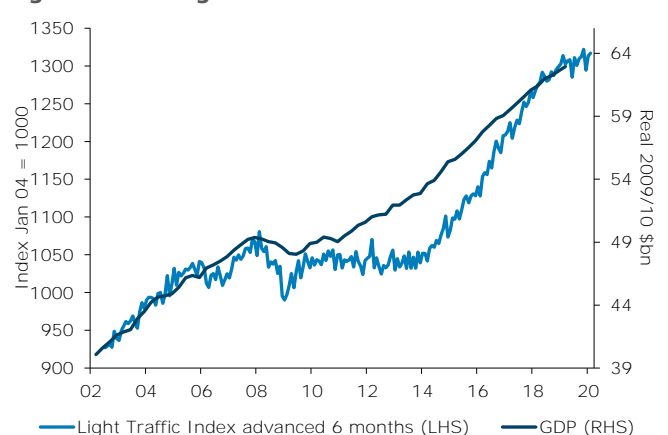


Figure 6. ANZ Light Traffic Index: raw vs. seas. adj.

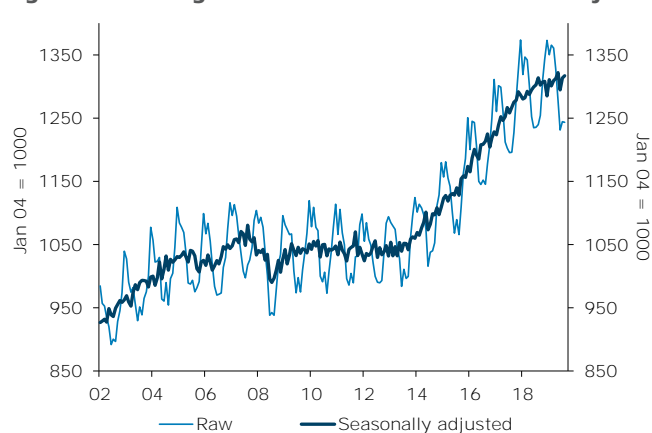
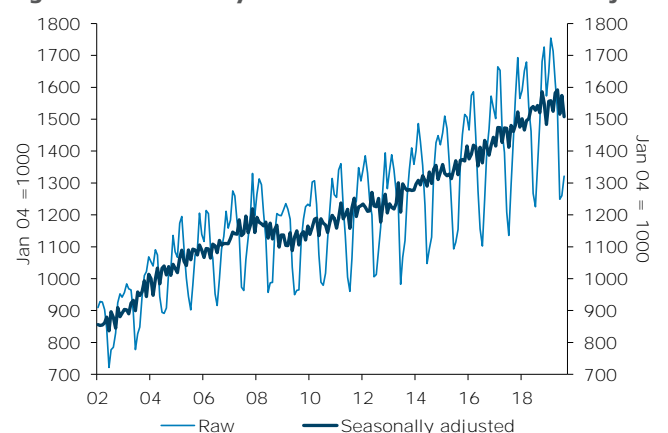


Figure 7. ANZ Heavy Traffic Index: raw vs. seas. adj.



Source: ANZ, NZ Transport Agency

Technical notes on the ANZ Truckometer were included in the initial release on 10 April 2012 and are available on the ANZ website or on request. The indexes' data history (subject to revision) is also available.



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