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Strong autumn

Summary

- The ANZ Truckometer indexes fell in the month of June but are both higher over the June quarter. The Light Traffic fell 1.9% m/m and the Heavy Traffic was down 4.5% m/m.
- Reflecting that the Light Traffic index leads GDP while the Heavy Traffic index is contemporaneous, they are sending quite different signals about GDP in Q2. They've both picked quarterly GDP well of late but can't both be right.
- Looking through the monthly noise it appears annual growth in light traffic flows may be finding a floor, consistent with our expectation that economic growth is due to bottom out shortly.

Figure 1. ANZ Heavy Traffic Index and GDP

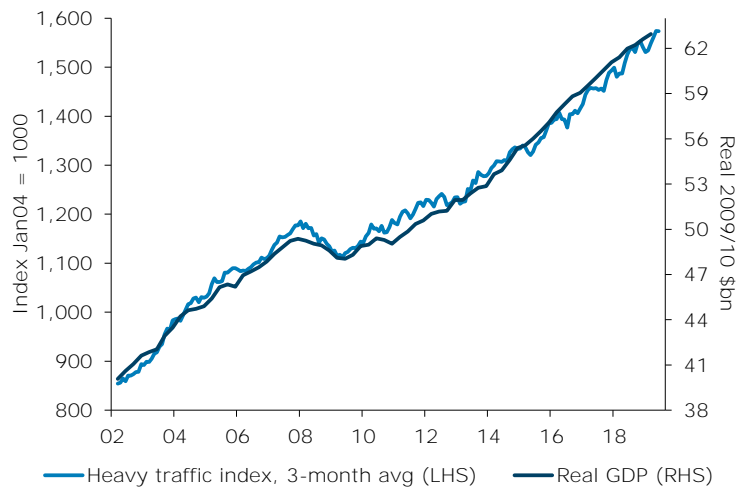
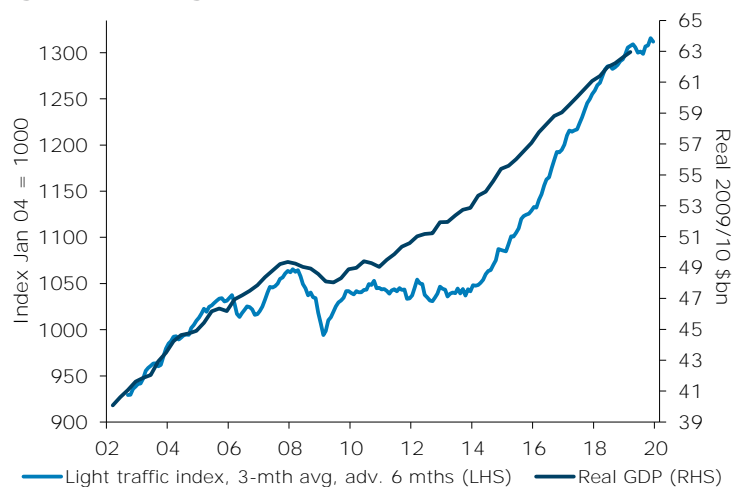
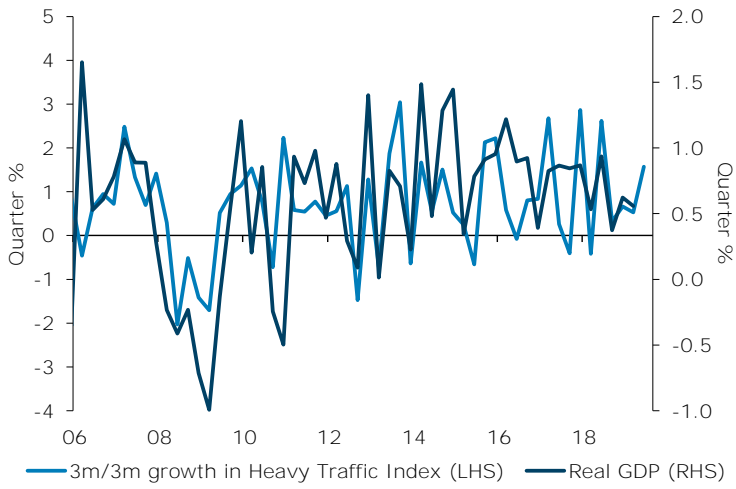


Figure 2. ANZ Light Traffic Index and GDP



Source: ANZ Research, Statistics NZ

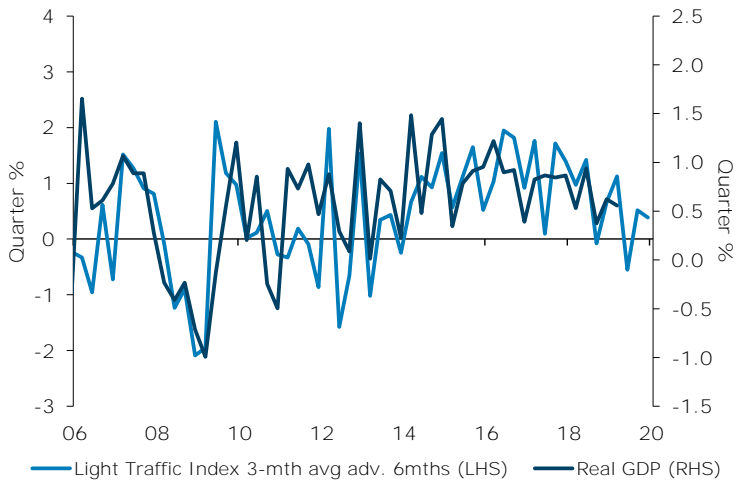
Figure 3. Heavy Traffic Index and annual GDP growth



The Heavy Traffic Index has had a remarkably good run at picking quarterly GDP growth over the past three years, after a period of a much lower correlation. Its hit-and-miss nature at explaining quarterly movements (despite its strong relationship with the level of GDP, figure 1) may reflect its ongoing exposure to the vagaries of agricultural production.

But if it continues its most recent stellar run of predictions, it's boding well for Q2 GDP growth.

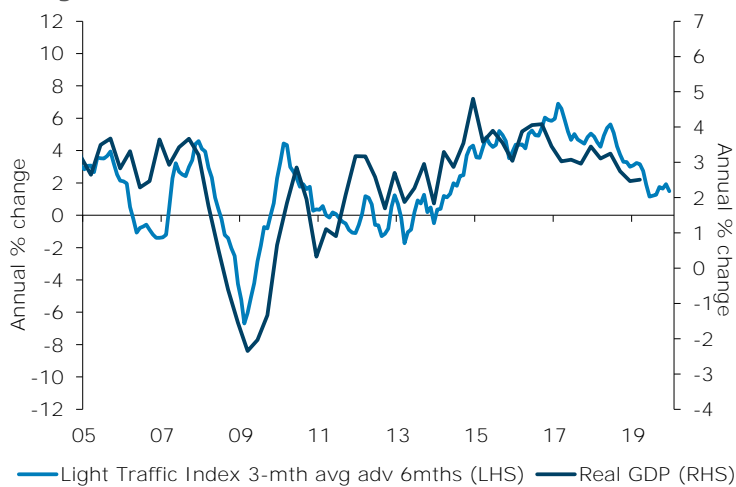
Figure 4. ANZ Light Traffic Index (adv. 6 months) and quarterly GDP growth



The Light Traffic Index gives a six-month lead on the direction of the economy.

It has also had a good run at predicting quarterly GDP growth over the past year or so. But since it is pointing to very weak growth in Q2 (due to weak light traffic in the last three months of last year), one of the two indexes must be about to break its winning streak.

Figure 5. ANZ Light Traffic Index (adv. 6 months) and annual GDP growth



Annual growth in the Light Traffic Index has stabilised, consistent with our expectation that annual GDP growth will soon stop declining.

However, we are picking the economy to recover less aggressively than predicted by both the Reserve Bank and Treasury. With inflation still under par we are therefore expecting two further cuts in the Official Cash Rate this year.

Source: ANZ, NZ Transport Agency, Statistics NZ



Tables and charts

After adjusting for seasonality, traffic flows lifted on none of the 11 roads in the Heavy Traffic Index in June, and on only 1 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
Jun-18	1297	0.2	3.0	1547	1.0	4.7
Jul-18	1302	0.4	3.1	1534	-0.8	5.7
Aug-18	1318	1.2	3.2	1539	0.3	5.7
Sep-18	1302	-1.2	3.2	1520	-1.2	5.5
Oct-18	1307	0.4	2.7	1587	4.4	5.1
Nov-18	1308	0.1	1.9	1551	-2.3	4.3
Dec-18	1285	-1.8	1.2	1485	-4.2	3.2
Jan-19	1311	2.0	1.2	1556	4.8	2.1
Feb-19	1300	-0.8	1.3	1562	0.4	3.6
Mar-19	1310	0.7	1.8	1530	-2.0	4.2
Apr-19	1314	0.3	1.7	1591	4.0	5.0
May-19	1324	0.7	1.9	1601	0.6	4.3
Jun-19	1298	-1.9	1.5	1528	-4.5	3.1

Figure 7. ANZ Light Traffic Index: raw vs. seasonally adjusted

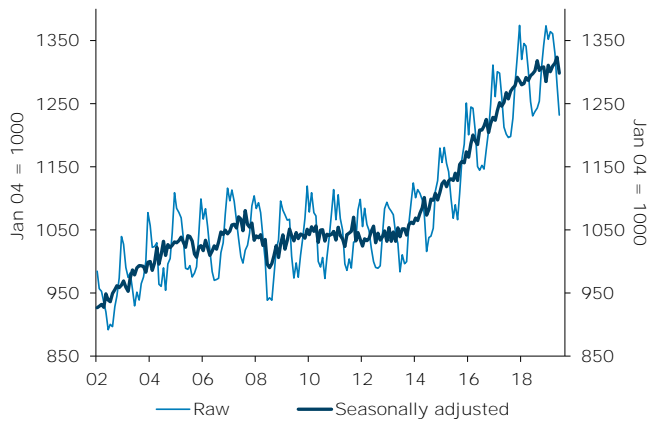
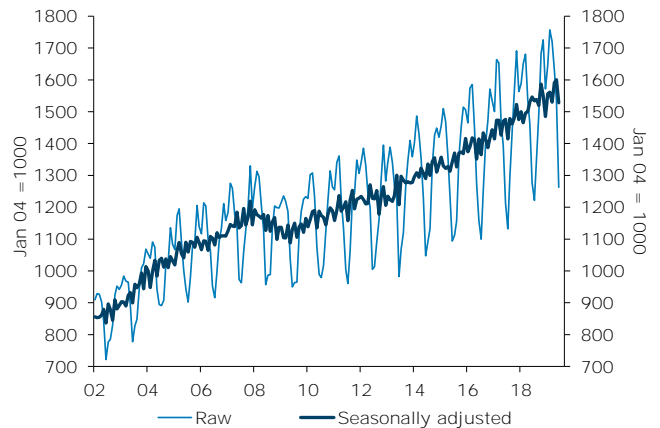


Figure 8. ANZ Heavy Traffic Index: raw vs. seasonally adjusted



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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