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

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Preparing to move up a gear?

Summary

- The ANZ Truckometer indexes lifted in July. The Light Traffic rose 1.5% m/m and the Heavy Traffic was up 4.1% m/m.
- Looking through the monthly volatility, annual growth in light traffic flows has at least found a ledge (**it's too soon to call it a floor**), consistent with our expectation that economic growth will gradually improve over the second half of the year.
- Heavy traffic growth has been holding up better but we suspect it overstated the economy's strength in the June quarter.

Figure 1. ANZ Heavy Traffic Index and GDP

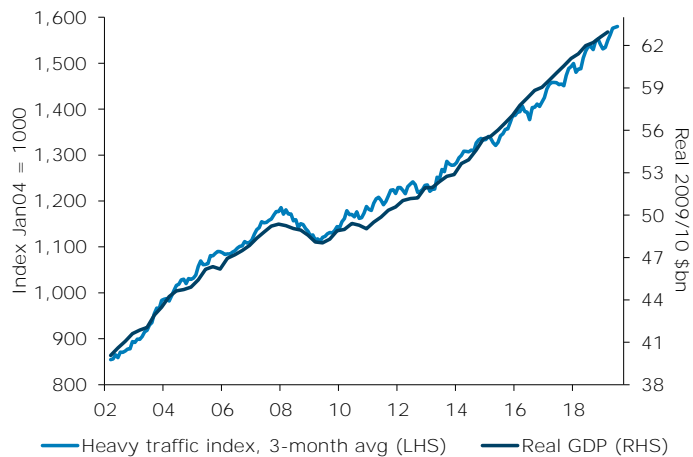
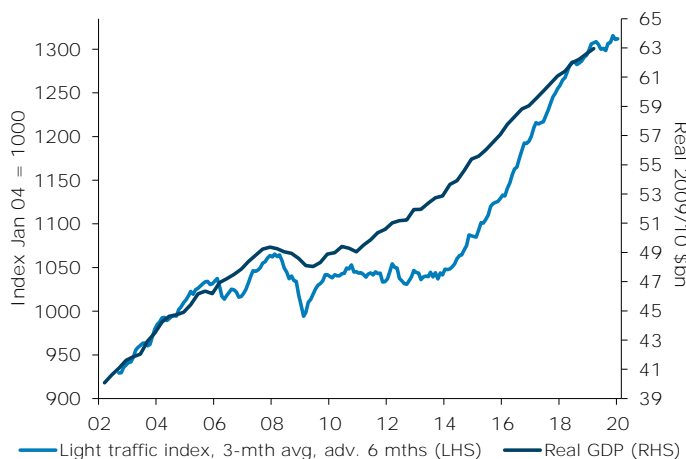
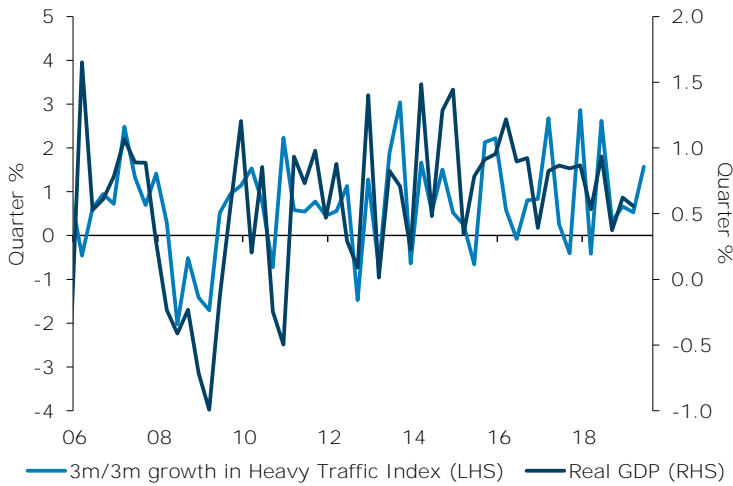


Figure 2. ANZ Light Traffic Index and GDP



Source: ANZ Research, Statistics NZ

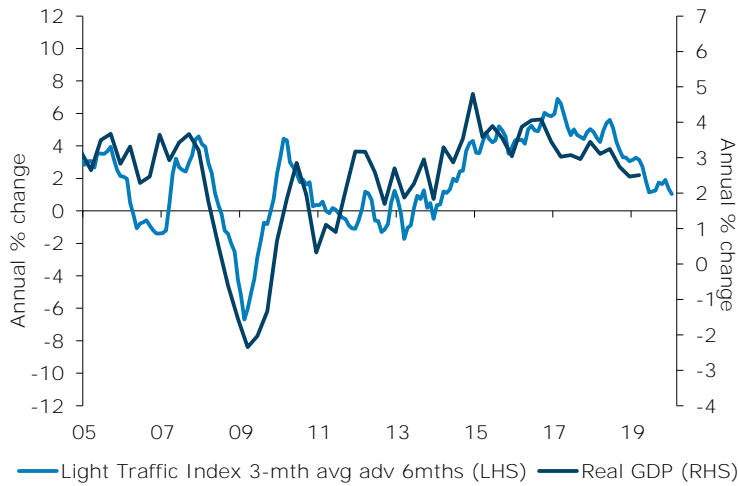
Figure 3. Heavy Traffic Index and annual GDP growth



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.

It is picking a pretty solid outturn for Q2 GDP growth, but other indicators have been much less upbeat.

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

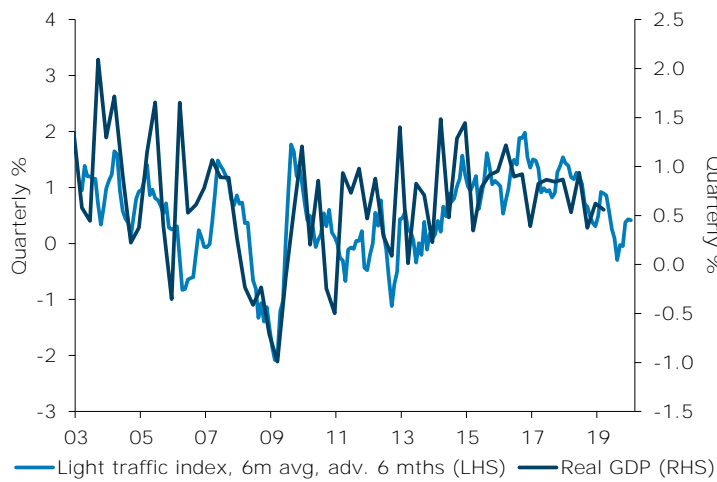


The Light Traffic Index gives a six-month lead on the momentum of the economy.

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

However, it is a stretch to say that it is suggesting any kind of upswing, modest or otherwise, and surveys of businesses suggest downside risk to growth in the second half of the year.

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



Optimists can focus on the upswing in the quarterly change in the 6-month average of the Light Traffic Index, which is suggesting that quarterly GDP growth at least will look up in Q3 and Q4.

That indeed is our forecast, as previous monetary easing starts to kick in.

It's also worth noting that the level of light traffic (page 1) is still increasing, albeit more slowly. In the 2008/09 recession the level of traffic fell significantly. It's also possible that the economy could continue modestly growing in aggregate even if light traffic flattens out. This occurred in 2010-13, the early years of the business cycle when consumers were relatively cautious.

Source: ANZ Research, Statistics NZ



Tables and charts

After adjusting for seasonality, traffic flows lifted on 10 of the 11 roads in the Heavy Traffic Index in July, and on 8 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
Jul-18	1303	0.3	3.2	1531	-0.6	5.7
Aug-18	1317	1.1	3.3	1538	0.5	5.6
Sep-18	1302	-1.1	3.1	1520	-1.2	5.4
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	1.1	1485	-4.2	3.2
Jan-19	1311	2.0	1.2	1557	4.9	2.1
Feb-19	1300	-0.8	1.2	1561	0.3	3.7
Mar-19	1309	0.7	1.7	1530	-2.0	4.2
Apr-19	1314	0.3	1.6	1593	4.1	5.0
May-19	1324	0.8	1.9	1605	0.7	4.3
Jun-19	1296	-2.1	1.4	1536	-4.3	3.4
Jul-19	1316	1.5	1.0	1599	4.1	2.9

Figure 6. ANZ Light Traffic Index: raw vs. seasonally adjusted

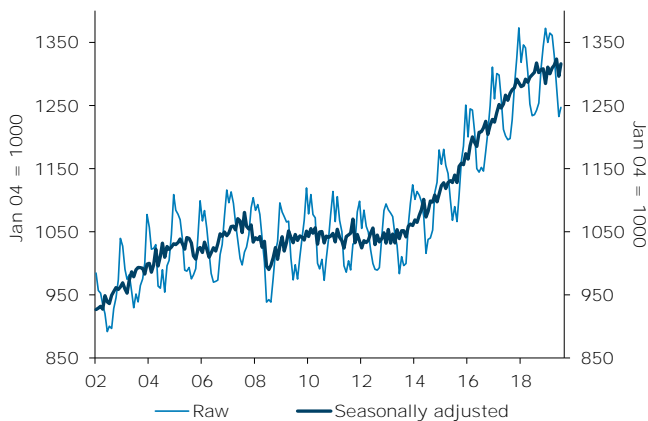
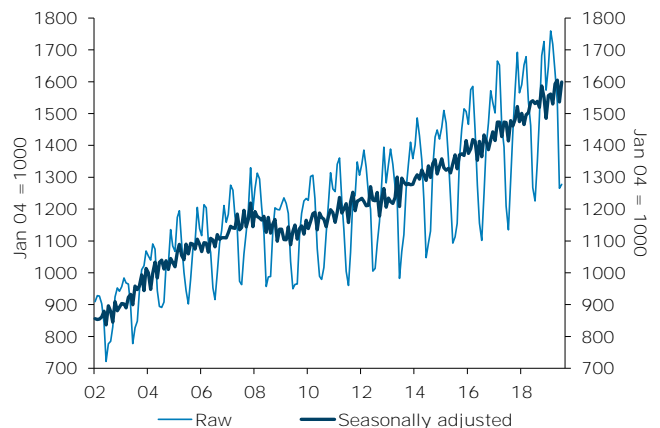


Figure 7. ANZ Heavy Traffic Index: raw vs. seasonally adjusted



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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