

ANZ NZ Monthly Inflation Gauge

16 January 2020



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The next issue of the ANZ
Monthly Inflation Gauge is
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Driving prices up

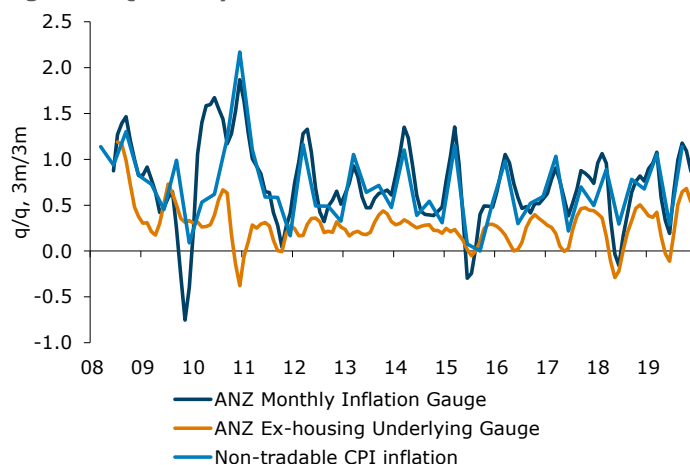
Summary

The ANZ Monthly Inflation Gauge lifted 0.4% m/m in December, to finish the quarter up 0.8% q/q. Annual inflation in the Gauge was stable at 3.2% y/y¹. Housing-related prices remain a persistent driver of inflation, and recent vigour in the housing market suggests that will continue. Today's figures present some upside risk to our current Q4 non-tradable CPI forecast of 0.6% q/q.

Key points

- Seasonal demand for vehicle hires saw road passenger transport prices lift a solid 13% m/m, which together with persistent strength in housing-related prices account for over half the 0.4% m/m lift in the Gauge. Prices fell in just two of the 37 groups we monitor in the month – vehicle insurance and telecommunication services – but both declines were negligible.
- Quarterly inflation in the Gauge came in at 0.8% q/q. The quarterly increase was led by accommodation services (up 12.8% q/q, very seasonal), rents (up 0.7% q/q), domestic airfares (up 9.6% q/q, also highly seasonal), and purchase of housing (up 0.8% q/q). The quarterly lift is down from 1.2% q/q in September, but still suggests some upside risk to our current forecast for Q4 non-tradeable CPI inflation of 0.6% q/q. The Gauge has been moving very closely with non-tradeable inflation in recent quarters (see table page 2).
- Excluding housing, the Gauge was up 0.2% m/m, 0.5% q/q, and 1.5% y/y, and has been gradually accelerating over the past year. Inflation in the underlying Gauge excluding tobacco, alcohol, and tertiary fees has also exhibited a gradual upwards trend, currently running at 2.9% y/y.
- Recent revisions to GDP go some way to explaining this building price pressure, with the economy running a little hotter in late 2018 and early 2019 than previously thought. However, the sharper deceleration in growth in the second half of last year suggests pipeline inflation pressures are unlikely to intensify and that non-tradeable inflation will struggle to stay around 3% y/y.

Figure 1. Quarterly inflation measures



Source: ANZ Research, Statistics NZ

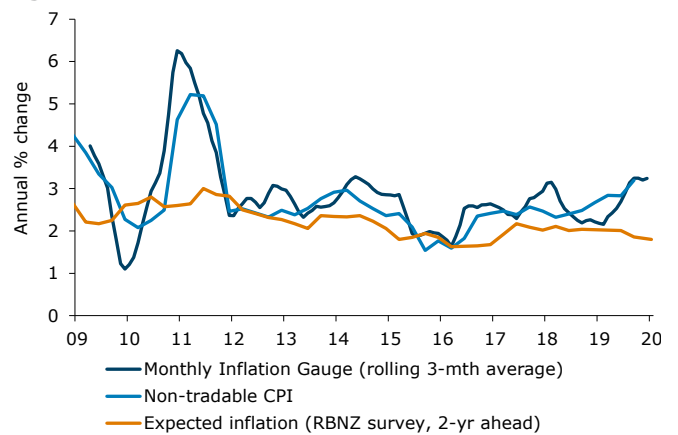
¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.



Tables and charts

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Sep-18	1353	0.2	0.6	0.8
Oct-18	1360	0.5		
Nov-18	1361	0.1		
Dec-18	1362	0.1	0.8	0.7
Jan-19	1377	1.1		
Feb-19	1374	-0.2		
Mar-19	1375	0.1	1.1	1.1
Apr-19	1374	-0.1		
May-19	1377	0.2		
Jun-19	1383	0.5	0.2	0.3
Jul-19	1390	0.5		
Aug-19	1394	0.3		
Sep-19	1398	0.3	1.2	1.1
Oct-19	1403	0.3		
Nov-19	1403	0.1		
Dec-19	1408	0.4	0.8	

Figure 2. Annual inflation measures



Source: ANZ Research, Statistics NZ

Figure 3. Housing and household utilities



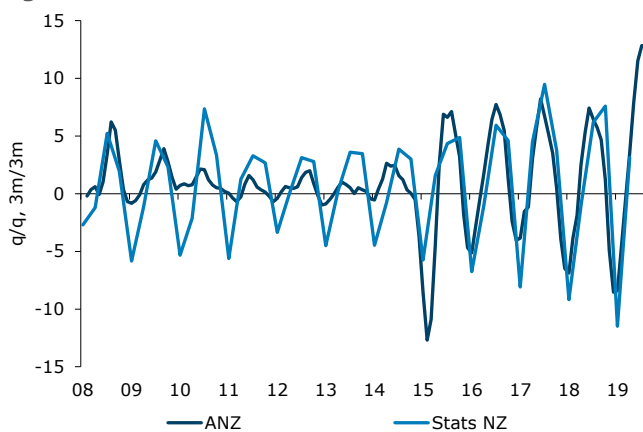
Source: ANZ Research, Statistics NZ

Figure 4. Real estate services



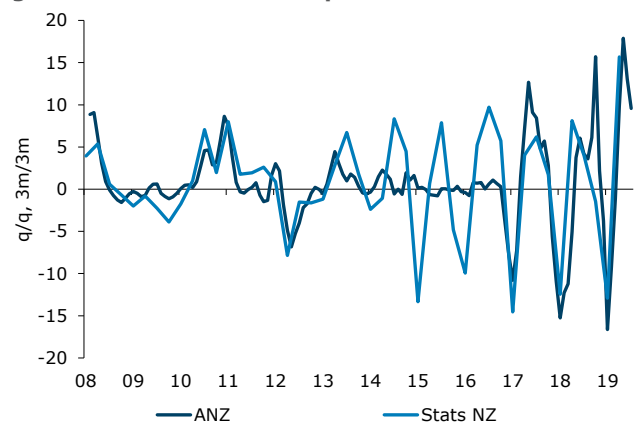
Source: ANZ Research, Statistics NZ

Figure 5. Accommodation services



Source: ANZ Research, Statistics NZ

Figure 6. Domestic air transport



Source: ANZ Research, Statistics NZ

Note all charts are based on a rolling 3-month average.



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