

ANZ NZ Monthly Inflation Gauge

17 February 2020



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The next issue of the ANZ
Monthly Inflation Gauge is
scheduled for release on
16 March 2020 at 1pm.

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Up in smoke

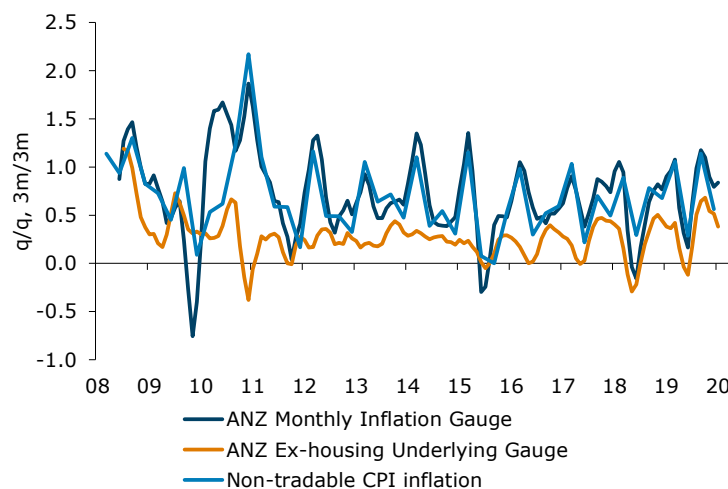
Summary

The ANZ Monthly Inflation Gauge lifted 0.6% m/m in January, which kept annual inflation stable at 3.2% y/y¹. The annual lift in excise tax saw tobacco and cigarette prices lead gains in January, contributing 0.5%pts to the monthly rise.

Key points

- Looking through the 9.9% m/m lift in tobacco and cigarette prices, the Gauge lifted just 0.1% m/m in January. A 0.3% m/m lift in rents together with a 3.8% rise in dwelling insurance made a 0.1%pt contribution to the monthly lift. Housing-related prices continue to bolster domestic price pressures. But interestingly, purchase of housing prices fell slightly (0.1% m/m). Given recent resurgence in the housing market we suspect this is just a temporary dip.
- The largest drag on the Gauge came from road passenger transport prices, which fell 3.3% m/m (-0.03%pt contribution) as last month's seasonal lift in vehicle hire prices partially retraced.
- In terms of the underlying inflation pulse, things took a small step down in January. Annual inflation in the Gauge excluding tobacco, alcohol, and tertiary fees slowed 0.1%pts from last month to 2.8%; the Gauge excluding housing also slowed 0.1%pt to 1.4%.
- Looking forward, it's still too early to see any impacts on the Gauge owing to COVID-19 disruptions. But if the related anecdotes are anything to go by they are likely to weigh from next month. Accommodation, vehicle hire, air fares, and restaurant meal prices could all be lower than is typical for this time of year. Meat, fruit and vegetable prices (which are not part of the Gauge as they are largely tradable) are also likely to slip. The question is for how long, and whether this will weigh meaningfully on medium-term inflation expectations, which would be a cause for concern on the part of the RBNZ.

Figure 1. Quarterly inflation measures



Source: ANZ Research, Statistics NZ

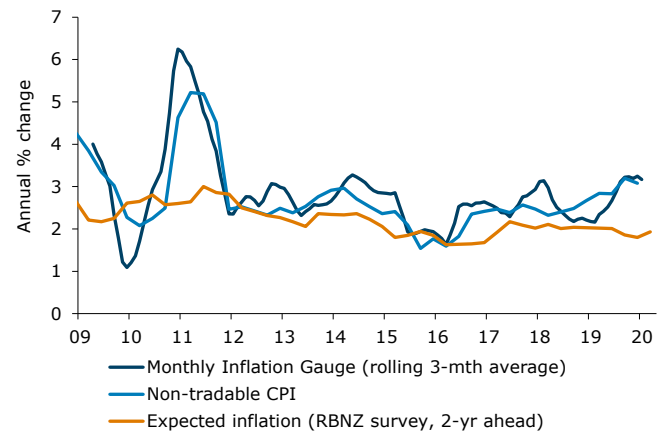
¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.



Tables and charts

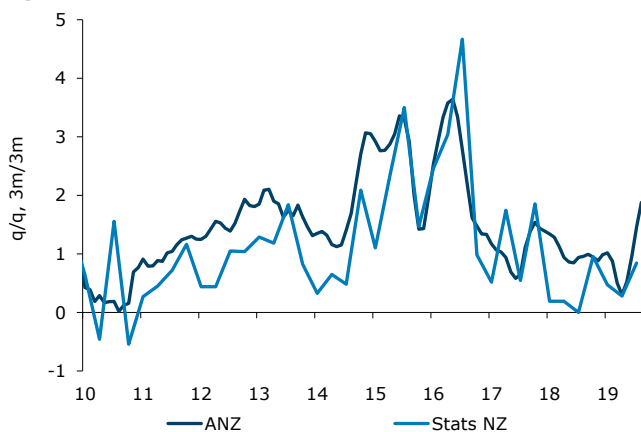
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Oct-18	1359	0.5		
Nov-18	1360	0.1		
Dec-18	1361	0.1	0.8	0.7
Jan-19	1376	1.1		
Feb-19	1373	-0.2		
Mar-19	1374	0.1	1.1	1.1
Apr-19	1373	-0.1		
May-19	1375	0.2		
Jun-19	1382	0.5	0.2	0.3
Jul-19	1389	0.5		
Aug-19	1393	0.3		
Sep-19	1397	0.3	1.2	1.1
Oct-19	1402	0.3		
Nov-19	1402	0.1		
Dec-19	1408	0.4	0.8	0.6
Jan-20	1416	0.6		

Figure 2. Annual inflation measures



Source: ANZ Research, Statistics NZ

Figure 3. Real estate services



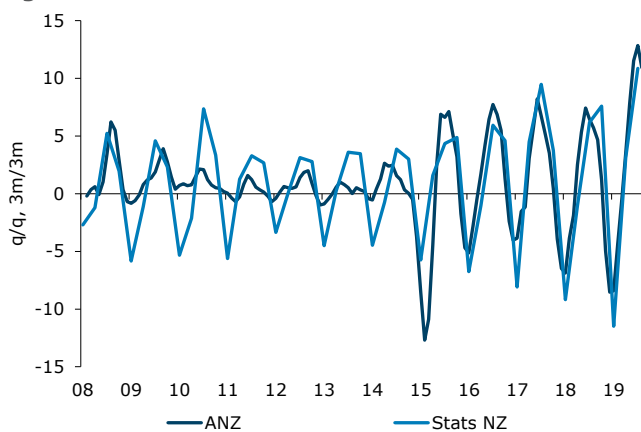
Source: ANZ Research, Statistics NZ

Figure 4. Housing and household utilities



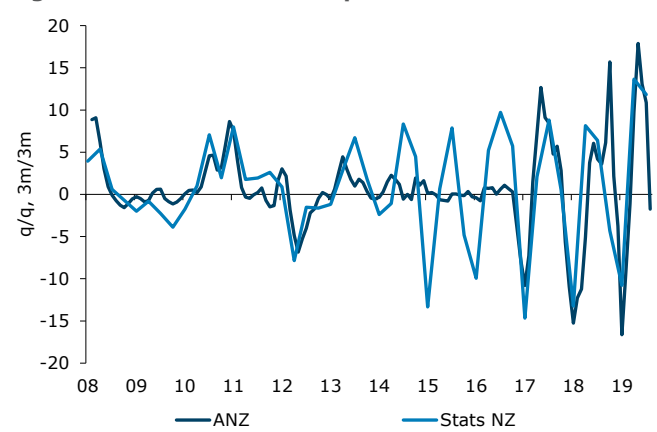
Source: ANZ Research, Statistics NZ

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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