

ANZ NZ Monthly Inflation Gauge

16 March 2020



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

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Starting to slip

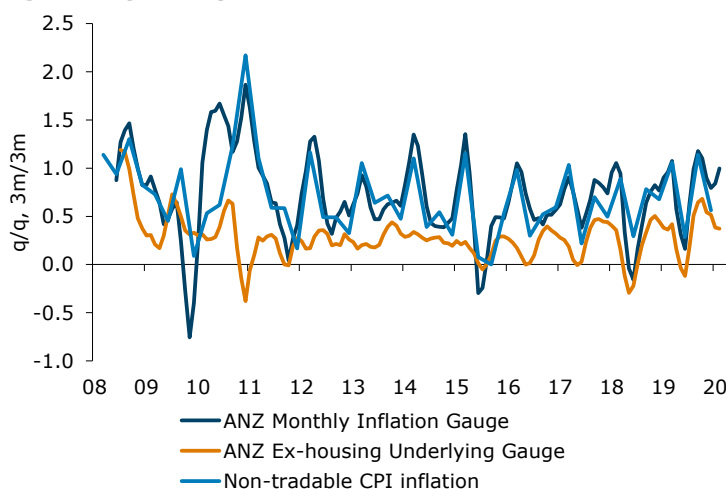
Summary

The ANZ Monthly Inflation Gauge lifted just 0.1% m/m in February, which kept annual inflation in the Gauge stable at 3.2% y/y¹. The monthly decline in accommodation services was the largest on record for a February month, likely reflecting weaker tourist demand. Deflationary pressures are expected to continue.

Key points

- The Monthly Inflation Gauge lifted 0.1% m/m in February. Together, vehicle insurance (up 7.0% m/m), rents (up 0.3% m/m), restaurant meals (up 0.5% m/m), and purchase of housing (up 0.4% m/m) contributed a little over 0.2%pts to the m/m change. This was partially offset by falls in accommodation services (down 4.9%), domestic air travel (down 5.0%), and road passenger transport (chiefly vehicle hire, and down 1.5%).
- While some of the monthly declines were seasonal, the fall in accommodation services was the largest for a February month since 2008 (when we started collecting data). Reduced visitor arrivals have certainly weighed on demand, and that's reflected in these data.
- In terms of the underlying inflation pulse, things moved sideways in February after taking a small step down last month. Annual inflation in the Gauge excluding tobacco, alcohol, and tertiary fees was stable at 2.8%; the Gauge excluding housing was also stable at 1.4%.
- Looking forward, it's become increasingly clear that the COVID-19 shock, and its impacts on global growth, household incomes, sentiment, financial markets, and asset prices, will be deflationary. Inflation expectations have already begun to slip and that's only going to exacerbate the downtrend.

Figure 1. Quarterly inflation measures



Source: ANZ Research, Statistics NZ

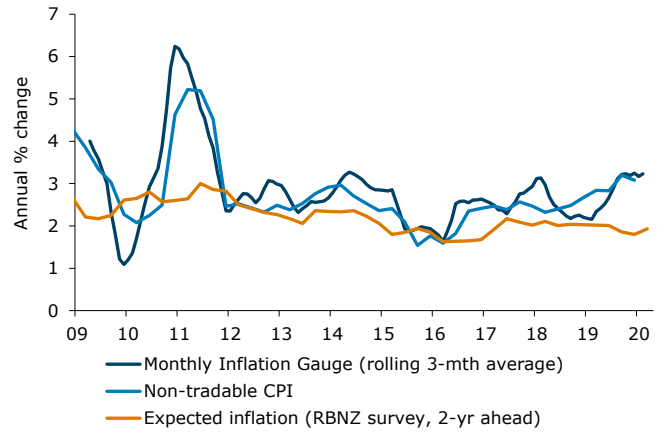
¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.



Tables and charts

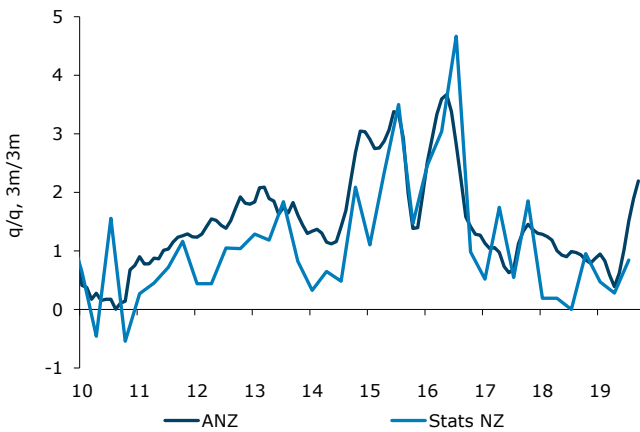
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Nov-18	1360	0.1		
Dec-18	1361	0.1	0.8	0.7
Jan-19	1376	1.1		
Feb-19	1373	-0.2		
Mar-19	1374	0.1	1.1	1.1
Apr-19	1373	-0.1		
May-19	1375	0.2		
Jun-19	1382	0.5	0.2	0.3
Jul-19	1389	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		
Feb-20	1418	0.1		

Figure 2. Annual inflation measures



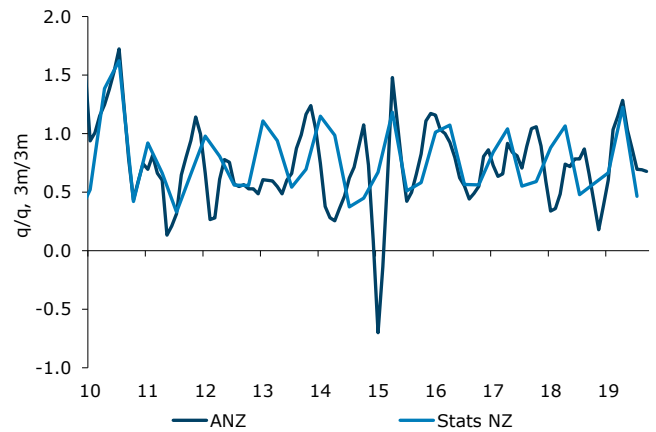
Source: ANZ Research, Statistics NZ

Figure 3. Real estate services



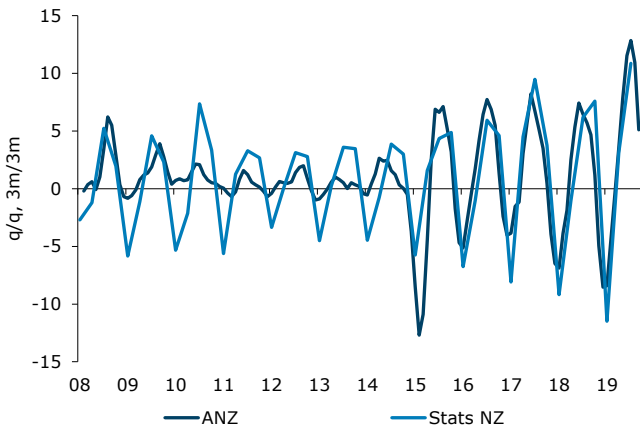
Source: ANZ Research, Statistics NZ

Figure 4. Housing and household utilities



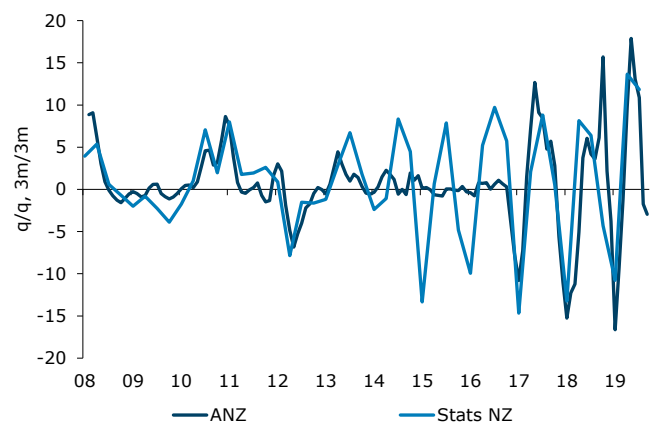
Source: ANZ Research, Statistics NZ

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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