

ANZ NZ Monthly Inflation Gauge

16 April 2020



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CONTACT:

Miles Workman
Senior Economist
Telephone: 64 21 661 792
Miles.Workman@anz.com

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

Contact
research@anz.com

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Rough seas ahead

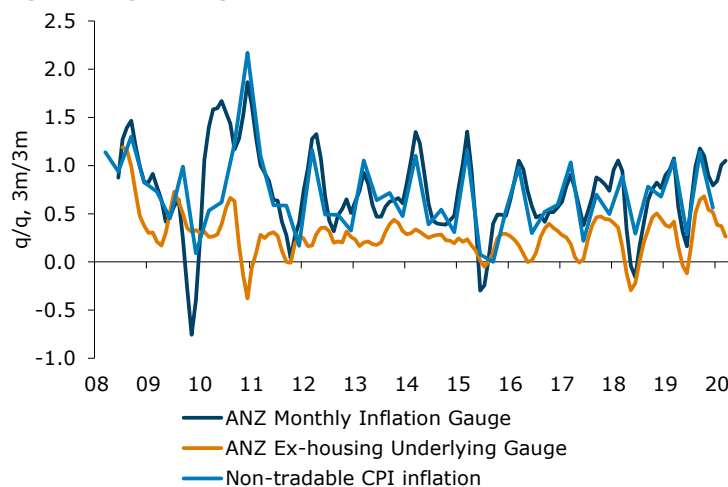
Summary

The ANZ Monthly Inflation Gauge lifted just 0.1% m/m in March, keeping annual inflation in the Gauge stable at 3.2% y/y¹. With parts of the economy shut down, measuring prices is becoming increasingly difficult. This could introduce some volatility over the months ahead, but once the dust has settled the inflation pulse is expected to be very weak.

Key points

- The Monthly Inflation Gauge lifted 0.1% m/m in March, boosted by a solid (12.7%) lift in domestic air transport. This might sound counterintuitive given the recent plunge in air travel, but it's merely a reflection of how we (and Statistics NZ) measure it – it's measured in the middle of the month for one month ahead. Rents, restaurant meals, and purchase of housing also rose modestly in the month, and, like air travel, are all poised to soften markedly in the near future as rent freezes and the lockdown's impact on activity weighs. Accommodation services fell 7.5% m/m, the largest recorded monthly decline for a March month, detracting -0.1% pts.
- Over the March quarter, the Gauge was up 1.1%. That's a robust print, but the majority of the lift occurred in the month of January, the good old days when hardly anyone had heard of COVID-19.
- We are in the midst of the most significant and synchronised global economic contraction in a generation. And underlying inflation pressures are softening. However, the next few months could prove quite volatile if we can't measure prices of some goods and services due to them not being traded. Some interpolation may be required. Once the dust has settled we expect to see a very soft core inflation pulse that will require significant and ongoing stimulus from the RBNZ.

Figure 1. Quarterly inflation measures



Source: ANZ Research, Statistics NZ

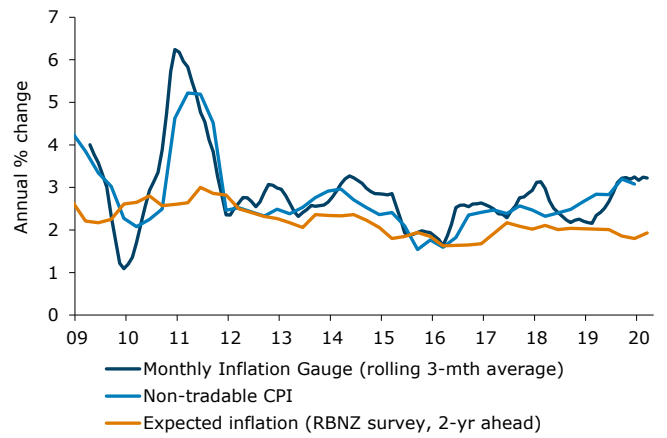
¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.



Tables and charts

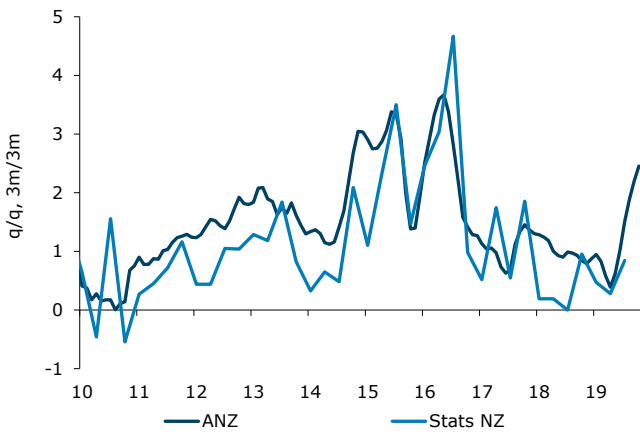
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Dec-18	1361	0.1	0.8	0.7
Jan-19	1376	1.1		
Feb-19	1373	-0.2		
Mar-19	1374	0.1	1.1	1.1
Apr-19	1373	-0.1		
May-19	1375	0.2		
Jun-19	1382	0.5	0.2	0.3
Jul-19	1389	0.5		
Aug-19	1393	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	1419	0.2		
Mar-20	1421	0.1	1.1	

Figure 2. Annual inflation measures



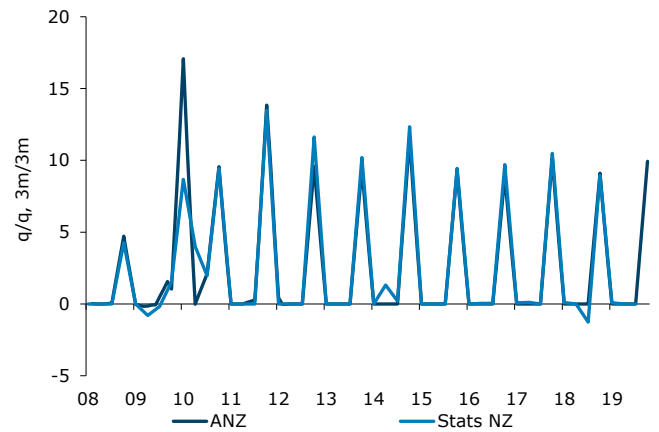
Source: ANZ Research, Statistics NZ

Figure 3. Real estate services



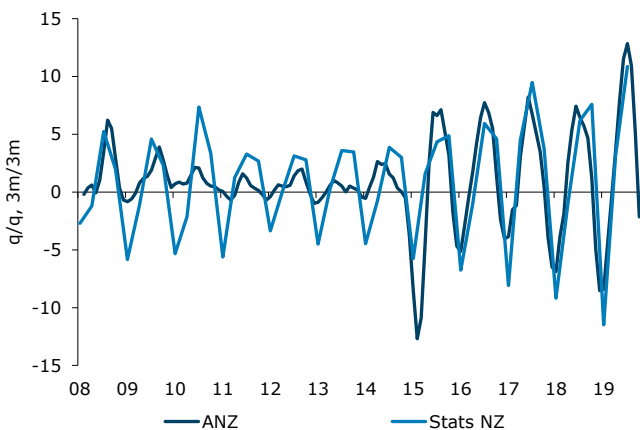
Source: ANZ Research, Statistics NZ

Figure 4. Tobacco and cigarettes



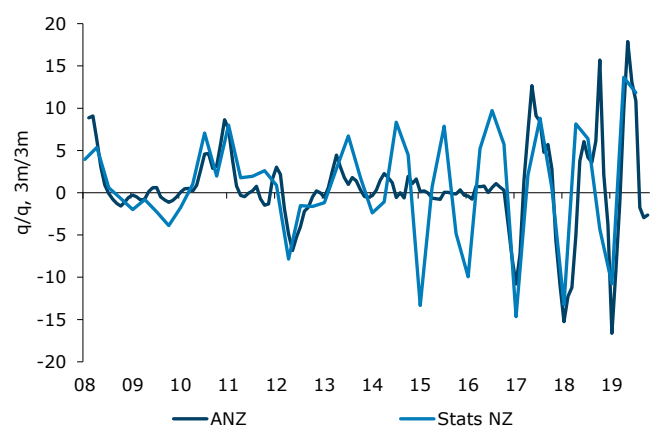
Source: ANZ Research, Statistics NZ

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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