

ANZ NZ Monthly Inflation Gauge

20 May 2020



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

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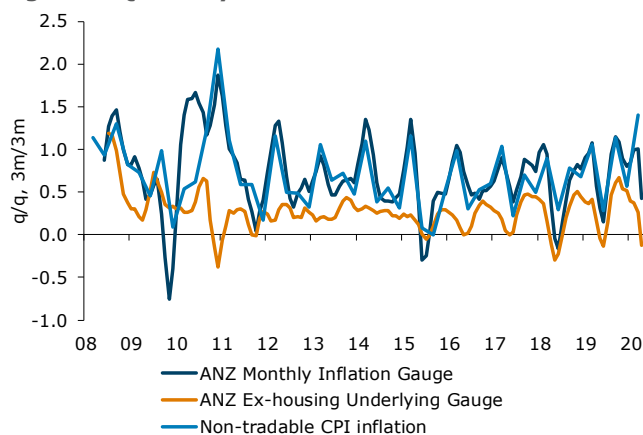
Summary

The ANZ Monthly Inflation Gauge contracted 0.8% m/m in April, shaving 0.1%pts off the annual measure, which came in at 3.0% y/y¹. Lockdown measures meant many goods and services were not traded in April, so we've had to estimate some prices – a challenge also faced by Statistics NZ as it compiles the CPI. Volatility in the data is a certainty, but the dust will settle over the coming months, and when it does, we think the revealed inflation pulse will be very weak.

Key points

- The Monthly Inflation Gauge fell 0.8% m/m in April, as solid gains in rents (up 0.4% m/m) only partially offset very weak transport, cultural services and accommodation prices². Together, passenger transport detracted 0.9%pts from the monthly change – recording declines between 27% and 82%. Some of this weakness may be overstated, as it captures discounted fares for essential workers. However, the lift in rents, based on Statistics NZ's stock series, appears to be wildly overstated too. The flow measure fell 1.8% m/m, suggesting significant weakness is in the pipeline for rents. Rent freezes and opening up of AirBnB housing is expected to weigh heavily on this historically key driver of inflation.
- There is lots of noise to look through in these data, and even our "core" measures (ex-housing and ex-tobacco, alcohol, tertiary fees) aren't immune.
- Volatility aside, here's what we do know. This crisis is the most significant in a generation. The labour market and household demand will be severely impacted for a considerable period. Inflation expectations are at record lows, and that presents a key risk that they become self-fulfilling (with real interest rates higher, and hence monetary settings less stimulatory than otherwise because of it). Further fiscal and monetary stimulus is needed.

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.

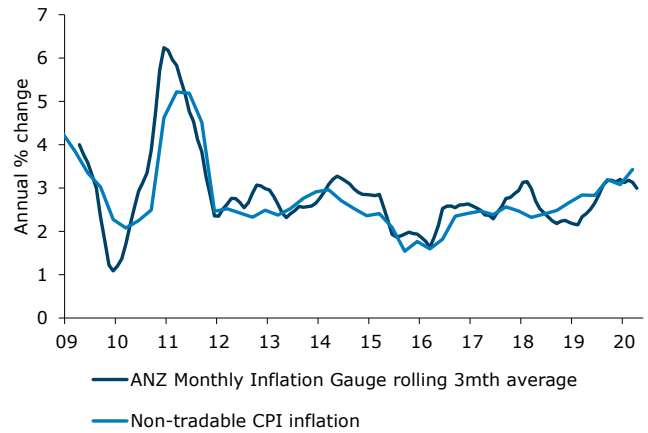
² The largest contributor to the m/m lift was actually restaurant meals and ready to eat food, based on Statistics NZ's food price index. However, these were fully imputed prices (not collected due to lockdown). Imputed prices were required to build the index.



Tables and charts

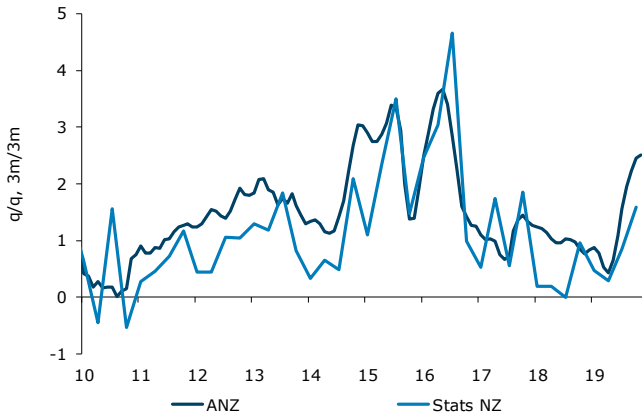
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Mar-19	1374	0.1	1.1	1.1
Apr-19	1373	-0.1		
May-19	1375	0.2		
Jun-19	1381	0.4	0.2	0.3
Jul-19	1388	0.5		
Aug-19	1392	0.3		
Sep-19	1396	0.3	1.1	1.1
Oct-19	1401	0.3		
Nov-19	1402	0.1		
Dec-19	1408	0.4	0.8	0.6
Jan-20	1416	0.6		
Feb-20	1418	0.1		
Mar-20	1419	0.1	1.0	1.4
Apr-20	1407	-0.8		

Figure 2. Annual inflation measures



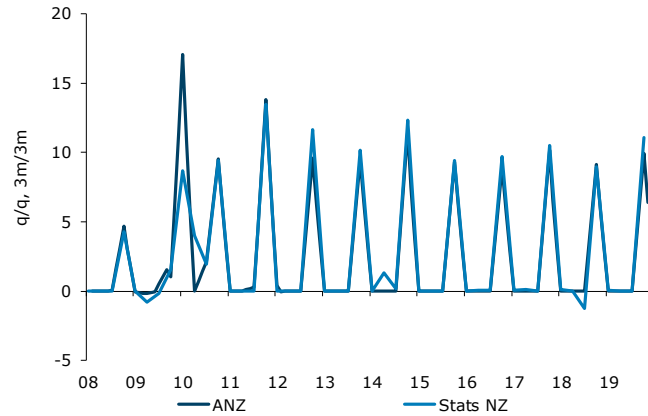
Source: ANZ Research, Statistics NZ

Figure 3. Real estate services



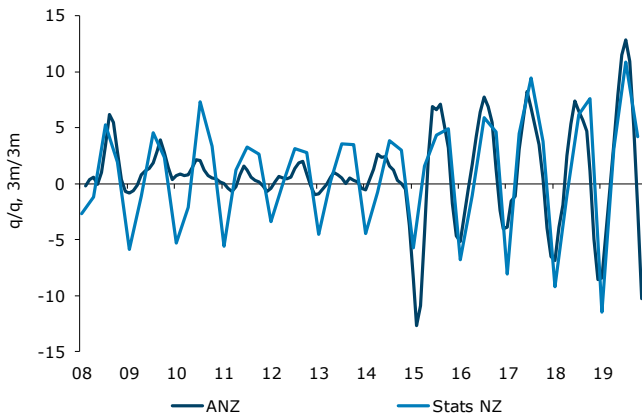
Source: ANZ Research, Statistics NZ

Figure 4. Tobacco and cigarettes



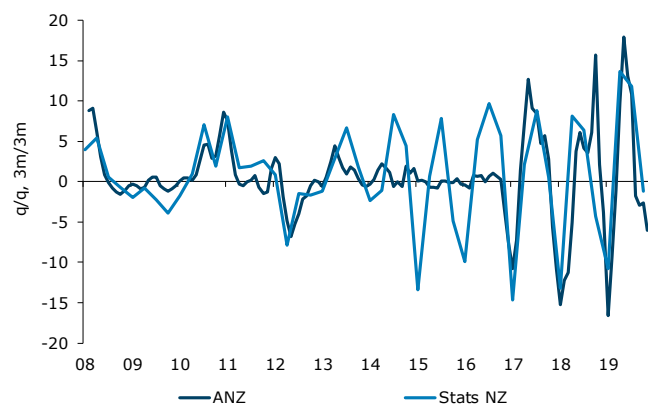
Source: ANZ Research, Statistics NZ

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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