

ANZ NZ Monthly Inflation Gauge

16 June 2020



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

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Partial rebound

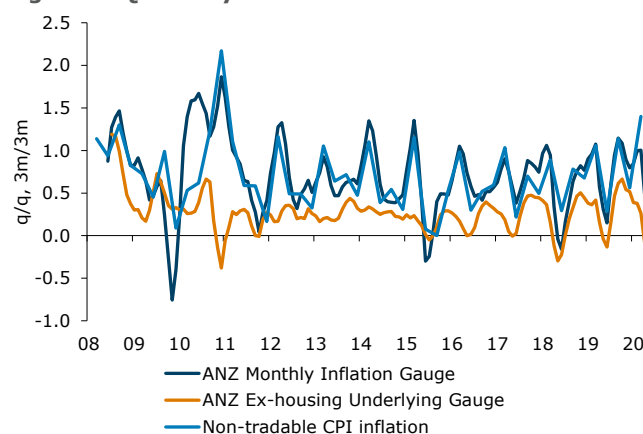
Summary

The ANZ Monthly Inflation Gauge lifted 0.2% m/m in May – a partial rebound from last month's 0.8% fall. Another 0.2%pts was trimmed from the annual measure, which is now running at 2.8% y/y.¹ There were still a few residual measurement issues in May, with some services having not resumed at the time we usually capture prices. The dust will settle on these data over the coming months, and when it does we expect the inflation pulse to be weak.

Key points

- The Monthly Inflation Gauge rose 0.2% m/m in May. A partial rebound in domestic airfares (up 9.1% m/m following April's 27.1% decline) made the largest contribution to the monthly rise (0.1%pt). Road passenger transport was a close second, up 11.8% (following last month's 38.8% fall) and making a 0.09%pt contribution. Rents and purchase of housing posted modest price rises, but we think downward price pressures are in the pipeline. Rent freezes, weaker incomes, and higher rental inventories are all pointing in the same direction.
- A 6.1% m/m decline in contents insurance was the largest drag, of around 0.05%pts. Together, lower prices for recreational and sporting services, restaurant meals, cultural services and accommodation services detracted 0.7%pts from the monthly change.
- Annual inflation in our underlying gauge excluding housing decelerated 0.2%pts to just 0.9% y/y. But like the headline measure, there is noise in these data that will probably take another month or so to quieten down.
- Now that we're on the other side of lockdown, the signal in these data should become more apparent over the next few months. And with unemployment lifting, inflation expectations at record lows, and closed borders leaving a large hole in GDP where tourism and education net exports used to be, the inflation pulse is expected to be very weak. Macro policy certainly has its work cut out.

Figure 1. Quarterly inflation measures



Source: ANZ Research, Statistics NZ

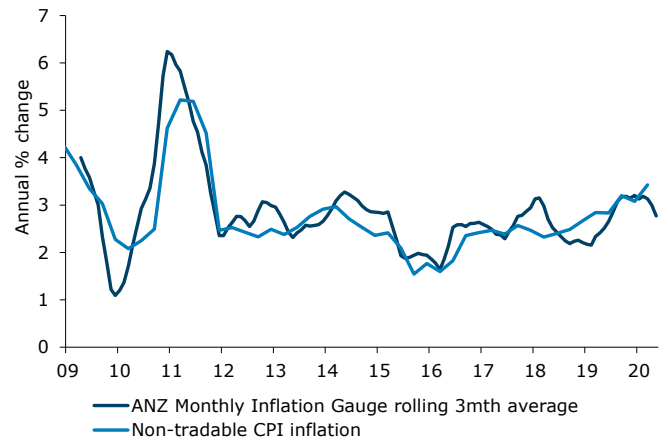
¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.



Tables and charts

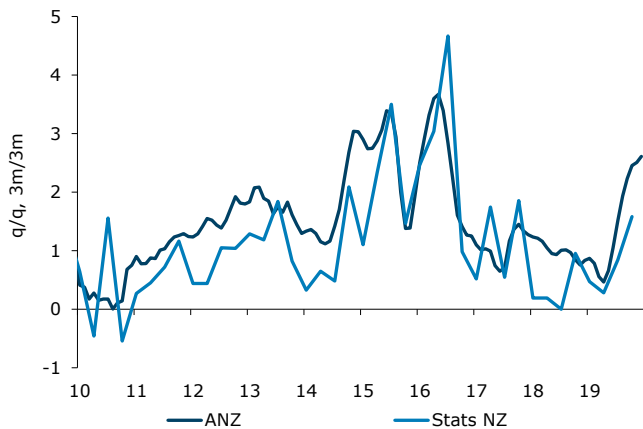
| | Monthly Inflation Gauge (Index) | Monthly Inflation Gauge (m/m%) | Implied Inflation Gauge (q/q%) | Actual non-tradable CPI (q/q%) |
|--------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Apr-19 | 1373 | -0.1 | | |
| May-19 | 1375 | 0.2 | | |
| Jun-19 | 1381 | 0.4 | 0.2 | 0.3 |
| Jul-19 | 1388 | 0.5 | | |
| Aug-19 | 1393 | 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 | 1408 | -0.8 | | |
| May-20 | 1411 | 0.2 | | |

Figure 2. Annual inflation measures



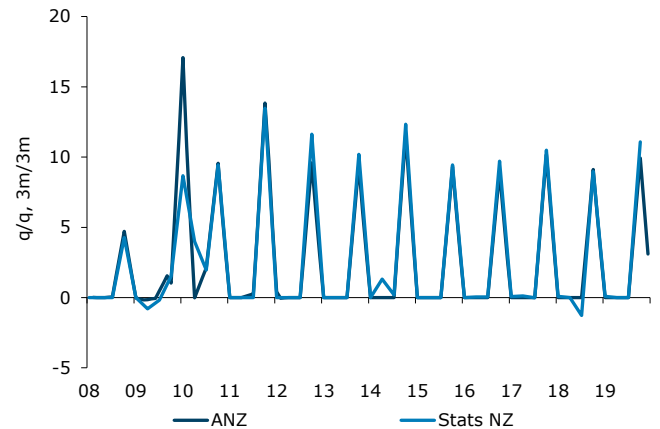
Source: ANZ Research, Statistics NZ

Figure 3. Real estate services



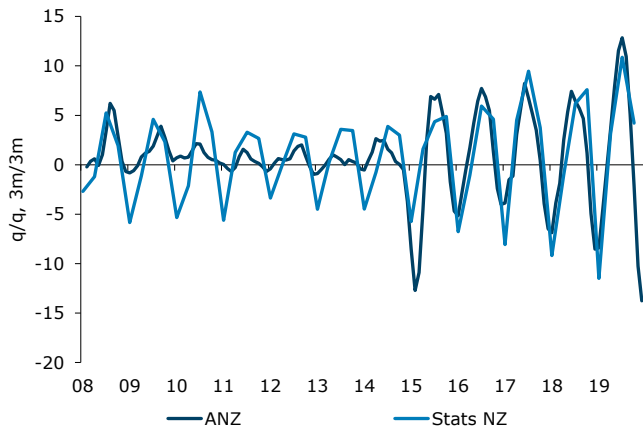
Source: ANZ Research, Statistics NZ

Figure 4. Tobacco and cigarettes



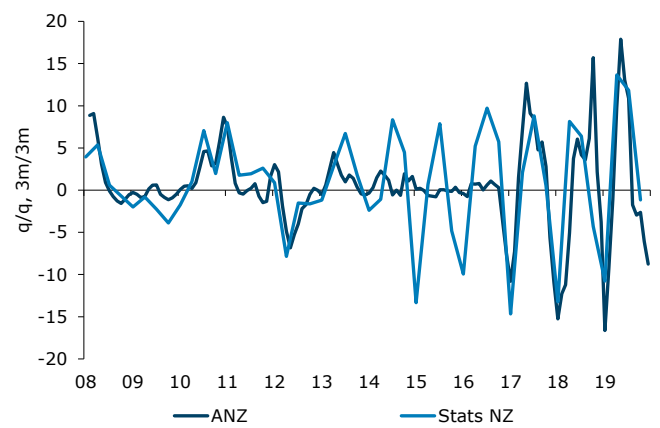
Source: ANZ Research, Statistics NZ

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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