

ANZ NZ Monthly Inflation Gauge

14 July 2020



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This is the final release of the *Monthly Inflation Gauge*. We will continue to monitor key prices from the gauge internally and use these to inform our CPI forecasts and views.

Downside

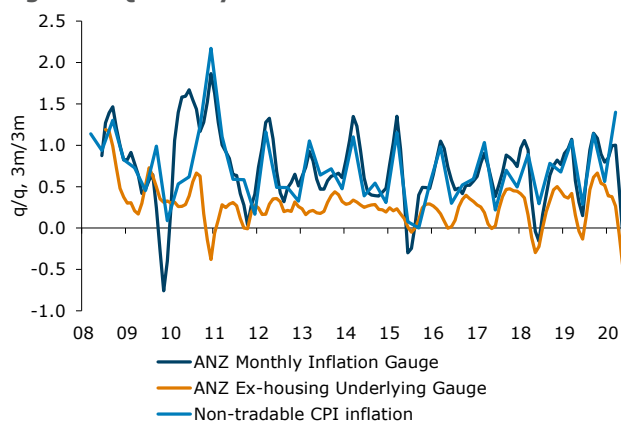
Summary

The ANZ Monthly Inflation Gauge lifted 0.3% m/m in June. This saw the Gauge contract -0.5% q/q, suggesting some downside risk to our **Q2 non-tradable CPI pick of 0.0%** (out Thursday). Annual inflation in the Gauge shed another 0.4%pts, now running at 2.4% y/y.¹

Key points

- Cultural services lifted sharply (4.7%) as some attractions (such as zoos) went from being free to changing back to usual entry fees. Housing-related prices also remained robust.
- The q/q signal is perhaps more relevant, given Q2 CPI is out Thursday. And the 0.5% q/q contraction in the Gauge suggests there's downside risk to our pick of 0.0% q/q for non-tradable inflation. However, it's fair to say that we may not have matched Statistics NZ's price collection and interpolation methodologies perfectly. **Lockdown has created challenges.**
- But based on our own monitoring, free public transport prices during lockdown (some buses and rail) deducted 0.5%pts from quarterly inflation in the Gauge (down 39% and 81% q/q respectively). Rents provided the largest offset (0.2% pts) rising 1% q/q.
- Annual inflation in our underlying gauge excluding housing decelerated another 0.3%pts to just 0.6% y/y – that could be a sign of things to come for headline inflation if the housing market softens **as we expect** and as rent freezes and fewer visitor arrivals keep rents contained.
- Lockdown-related noise in these data continued in June. From a quarterly inflation perspective, this isn't expected to come out of the wash until Q4. By then we expect the inflation pulse will have weakened further with weak global inflation, an **elevated NZD**, low inflation expectations, and weaker household incomes coming together to keep price rises in check. The RBNZ certainly has its work cut out.

Figure 1. Quarterly inflation measures



Source: ANZ Research, Statistics NZ

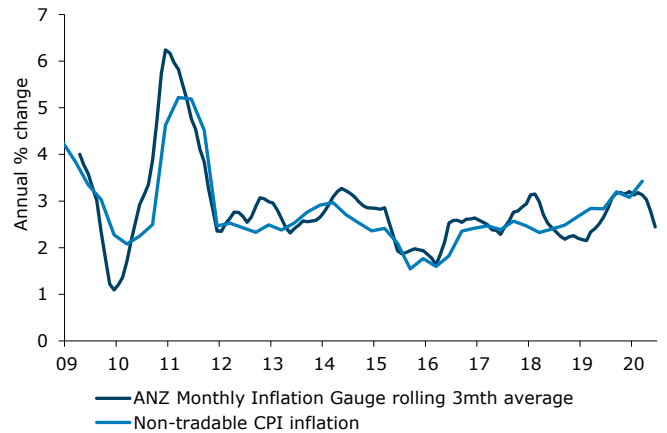
¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.



Tables and charts

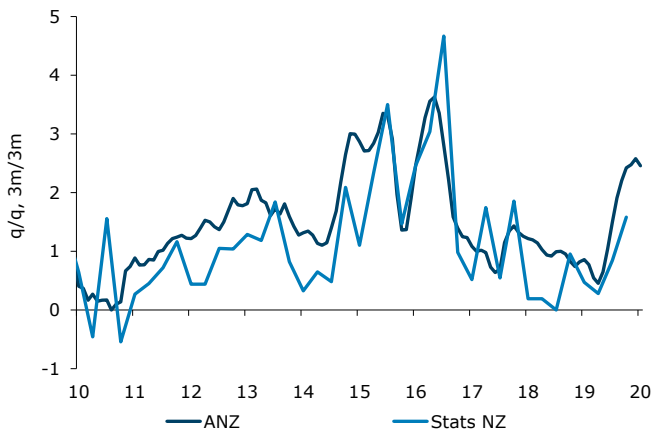
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
May-19	1375	0.2		
Jun-19	1381	0.4	0.1	0.3
Jul-19	1388	0.5		
Aug-19	1392	0.3		
Sep-19	1396	0.3	1.1	1.1
Oct-19	1401	0.3		
Nov-19	1402	0.1		
Dec-19	1407	0.4	0.8	0.6
Jan-20	1416	0.6		
Feb-20	1417	0.1		
Mar-20	1419	0.1	1.0	1.4
Apr-20	1409	-0.7		
May-20	1409	0.0		
Jun-20	1413	0.3	-0.5	

Figure 2. Annual inflation measures



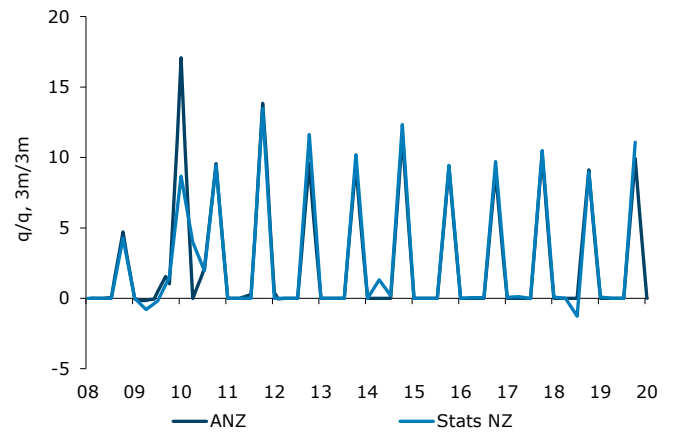
Source: ANZ Research, Statistics NZ

Figure 3. Real estate services



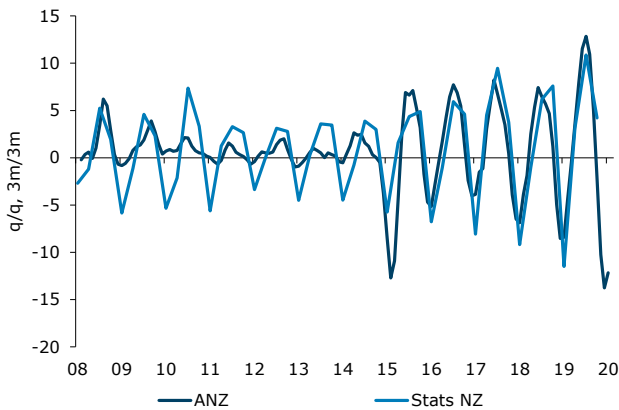
Source: ANZ Research, Statistics NZ

Figure 4. Tobacco and cigarettes



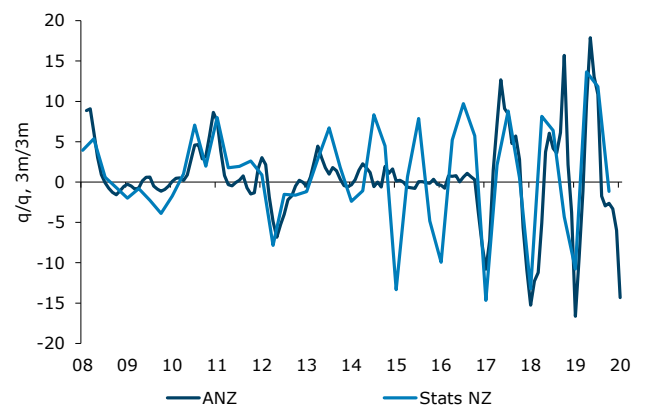
Source: ANZ Research, Statistics NZ

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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