SUMMARY

- The ANZ Monthly Inflation Gauge rose a solid 0.6% m/m in July, the strongest monthly print since January. The Gauge is up 2.5% y/y, 0.1%pts above the pace recorded in June.

- Some strength is unsurprising after Q2 non-tradables CPI inflation came in stronger than implied by the Gauge. The details do not suggest there is catch-up at play, but reaffirm that inflation has come off its lows.

SNAIL MAIL

The ANZ Monthly Inflation Gauge rose 0.6% m/m (+2.5% y/y) in July with a 4.5% m/m increase in rates making the largest contribution (0.34%pts). Accommodation services were close behind, up 5.1% and contributing 0.18%pts – a strong rise for July, driven by the overseas accommodation prepaid in New Zealand component (a recent addition to the accommodation component of the CPI basket). Together, newspapers (5.5% m/m) and postal services (15.6% m/m) made a 0.9%pt contribution. The latter reflects NZ Post’s annual pricing review, which saw the cost of posting a standard letter rise 20% to $1.20. Purchase of housing rose 0.3% m/m – a softer pace than its average rate of 0.5% m/m over the past three years. A 6.3% m/m decline in domestic air transport made the only significant negative contribution (-0.07%pts).

In annual terms, the Gauge has picked up a little momentum, up 0.1%pt to 2.5%. The ex-tobacco, alcohol and tertiary fees index and the ex-housing index both lifted 0.1%pt to 2.3% and 0.8% y/y respectively. Weakness in the latter highlights just how dominant housing-related inflation has been this cycle. Of the 36 subcomponents in the Gauge, 11 rose, 20 were flat and 5 fell – all consistent with recent ranges.

The Gauge’s solid print in July is consistent with Q2’s non-tradables CPI outturn, which suggested inflationary pressures are gradually firming. This follows after the Gauge had its largest “miss” since 2010 in Q2. Rather than suggesting a catch-up from Q2, the details (as noted above) reaffirm that inflation has come off its lows.

Figure 1. Annual 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.
**ANZ MONTHLY INFLATION GAUGE**

Figure 2: Quarterly inflation measures

Source: ANZ Research, Statistics NZ

Figure 3: Price moves by direction

Source: ANZ Research

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