

NEW ZEALAND ECONOMICS

ANZ MONTHLY INFLATION GAUGE

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SUMMARY

- Prices in the Monthly Inflation Gauge rose 0.1% in August.¹
- The underlying ex-housing gauge was up 0.1% too.
- Inflation pressures remain limp.
- The bias for the OCR remains lower.

LIMP

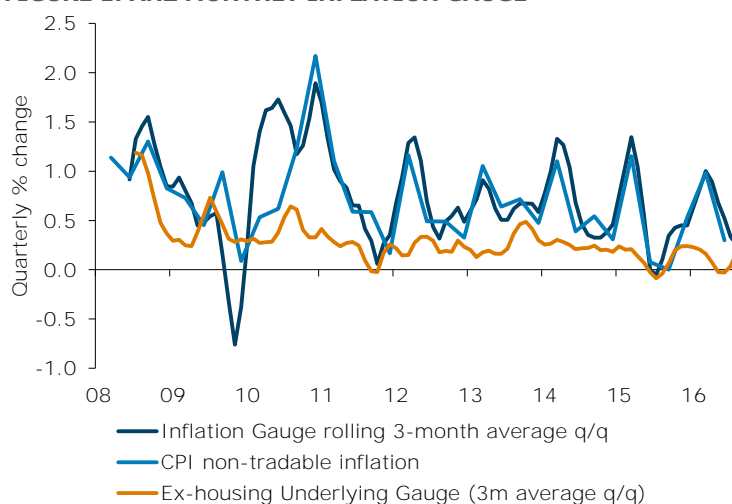
Prices from the Gauge registered a 0.1% rise in August, following a 0.3% fall in July. Within the details there is no real story. Last month's result was driven by reductions in ACC levies. Outside of housing, there is not much to comment on this month, with only a scattering of increases for transport, newspapers, and recreational fees.

Inflationary pressures remain subdued.

- The ex-housing underlying gauge (which removes indirect taxes, tertiary education fees and housing group prices) was up 0.1%.
- Rents fell slightly, offsetting rising construction costs within the housing group. The subdued nature of rents seriously questions to what degree a supposed shortage of housing is driving house prices. A shortage should be putting upwards pressure on rents. **We're not seeing that.**
- Of the 36 main series feeding into the 8 key groups, 22 were unchanged, while 10 were up and 4 were down.

The largest positive contribution came from the transport group, followed by purchase of housing. The largest negative contributions came from rents and professional services.

FIGURE 1: ANZ MONTHLY INFLATION GAUGE



Source: ANZ, Statistics NZ

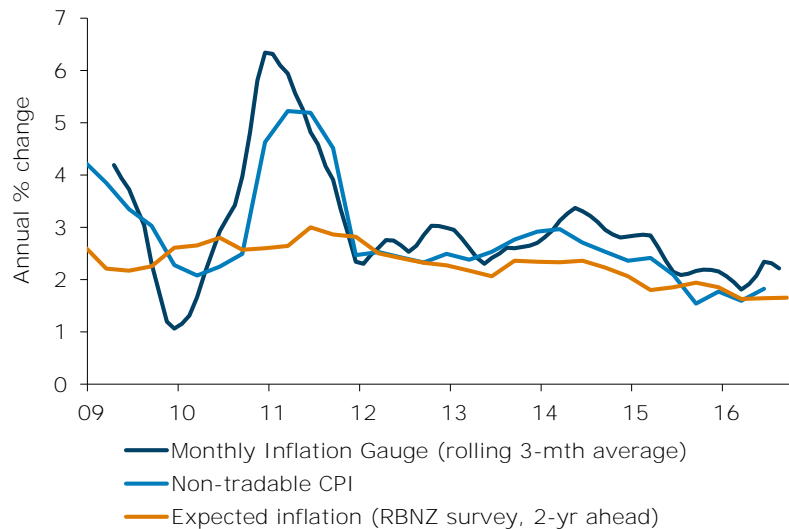
¹ Our **Monthly Inflation Gauge** provides a **directional signal of broad trends and movements in non-tradable CPI inflation** produced by Statistics NZ, but at a monthly frequency. Differences in methodology and coverage mean the gauge will not exactly mirror the official series. We also produce an underlying ex-housing gauge that adjusts for indirect taxes and tertiary education fees and removes housing group prices.

ANZ MONTHLY INFLATION GAUGE

We continue to have a benign inflationary environment. Outside of housing (and construction costs in particular), and the odd one-off, there are simply no signs of inflation. Annual inflation in the Gauge eased to 2.0% from 2.1%. The underlying ex-housing gauge is up a meagre 0.6% on last year.

A limp pulse for inflationary pressures will keep the bias for the OCR even lower.

FIGURE 2: ANNUAL INFLATION MEASURES



Source: ANZ, Statistics NZ, RBNZ

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Apr-15	1255	-0.2		
May-15	1254	-0.1		
Jun-15	1255	0.1	0.0	0.1
Jul-15	1257	0.2		
Aug-15	1259	0.2		
Sep-15	1261	0.2	0.3	0.0
Oct-15	1262	0.1		
Nov-15	1265	0.2		
Dec-15	1267	0.2	0.5	0.5
Jan-16	1274	0.6		
Feb-16	1278	0.3		
Mar-16	1280	0.2	1.0	1.0
Apr-16	1282	0.2		
May-16	1283	0.1		
Jun-16	1287	0.3	0.5	0.3
Jul-16	1283	-0.3		
Aug-16	1285	0.1		

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