

## NEW ZEALAND ECONOMICS

### ANZ MONTHLY INFLATION GAUGE

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#### SUMMARY

- Prices in the Monthly Inflation Gauge dipped 0.3% in July.<sup>1</sup>
- Falls in motor vehicle relicensing fees (lower ACC levies) led the gauge lower.
- The underlying ex-housing gauge was flat.
- We can still see inflationary pressures within the housing sector but they are being usurped by a subdued picture elsewhere, and some housing components have in fact softened of late.

#### FLAT-LINING

**Prices from the Gauge registered a 0.3% fall in July, following a 0.3% rise in June.** The biggest cause of the decline was a fall in motor vehicle relicensing fees (due to ACC levy reductions). This underpinned a 4.4% fall in the transport group.

#### Inflationary pressures were by-and-large non-existent in the month.

- The seasonally adjusted series was also down 0.3%.
- The ex-housing underlying gauge (which removes indirect taxes, tertiary education fees and housing group prices) was flat.
- Rents were subdued. In fact they are showing signs of easing back, which goes completely against the view that housing shortages are the driving force of the housing market at present.
- Accommodation costs declined across hotels, motels, holiday parks and backpackers.
- Of the 36 main series feeding into the 8 key groups, 23 were unchanged, while 7 were up and 6 were down. However, the 'downs' provided more impetus.

**The largest positive contribution came from postal services. Purchase of housing costs continued to lift, though at a slower rate than seen over prior months.**

**FIGURE 1: ANZ MONTHLY INFLATION GAUGE**



Source: ANZ, Statistics NZ

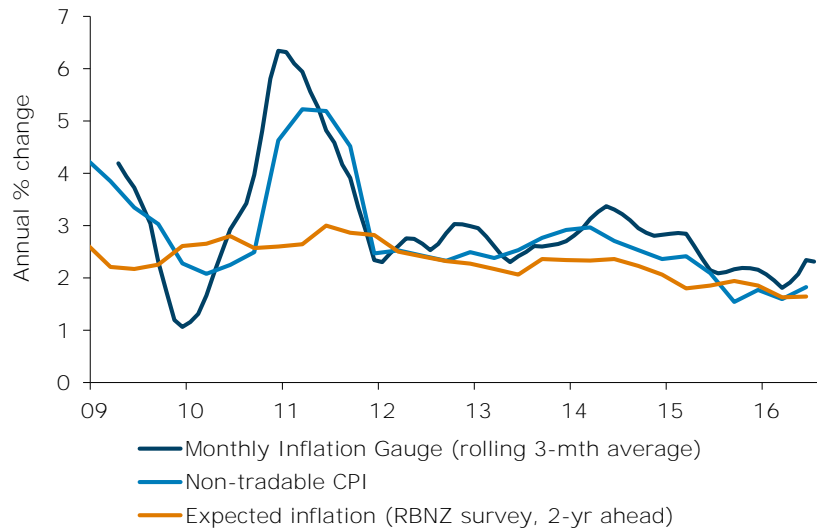
<sup>1</sup> Our **Monthly Inflation Gauge** provides a **directional signal of broad trends and movements in non-tradable CPI inflation** produced by Statistics NZ, but at a monthly frequency. Differences in methodology and coverage mean the gauge will not exactly mirror the official series. We also 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.** In prior months we noted the signs of uptick within housing and headline seasonally adjusted estimates as signs the inflationary pulse was accelerating. That failed to roll into July. Annual inflation in the gauge eased to 2.1% from 2.5%. The underlying ex-housing gauge is up a meagre 0.6% on last year.

**A flat-lining 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%)
Mar-15	1258	0.2	1.3	1.2
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		

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