

ANZ MONTHLY INFLATION GAUGE

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SUMMARY

- Prices in the ANZ Monthly Inflation Gauge fell for the second consecutive month, down 0.2% m/m in March to be 2.9% higher than a year ago.¹
- Direct credit and cultural services weighed on already elusive underlying inflationary pressures.
- The housing group is still keeping the Gauge from falling further; the underlying ex-housing Gauge fell 0.4% m/m to be up just 1.1% y/y.

SKYFALL

Prices in the ANZ Monthly Inflation Gauge fell 0.2% m/m in March

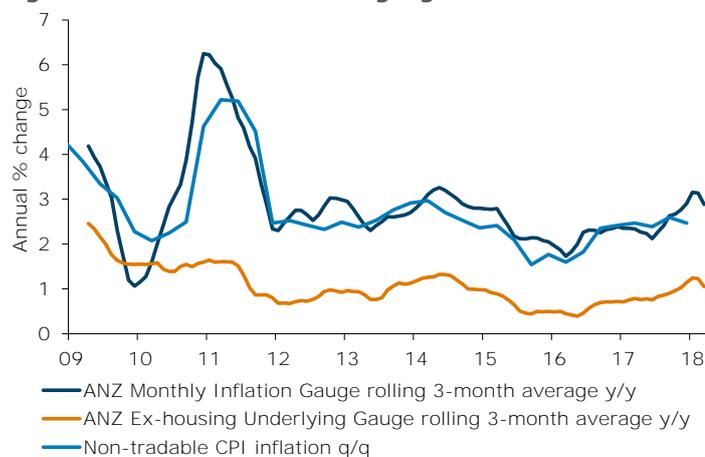
following a 0.3% m/m decline last month. While the fall in February was due to the large one-off policy impact on tertiary education fees, this month they were broader based. **Prices fell across 8 of the 36 subcomponents, the most since March 2016.** Conversely, prices rose in just 4 subcomponents in the month, the fewest since April 2015.

Lower prices for direct credit and cultural services made the largest contribution to the monthly decline (both -0.1%pts), the latter reflecting Sky TV's lower new subscription rate. Accommodation services also contributed -0.1%pts, marking the start of the seasonal retracement from what was a particularly strong tourism season. Declines across other subcomponents were small, collectively accounting for -0.04%pts.

Housing-related price rises are still at the forefront; the costs of purchasing new housing and rents made the largest positive contributions to the Gauge of 0.07%pts and 0.04%pts respectively – nothing new or surprising about that. **The Ex-housing Gauge fell 0.4% m/m.**

While there were a couple of one-offs dragging the Gauge down in the month, price pressures remain elusive outside of housing and the underlying inflation picture remains soft: CPI came in below expectations in the 2017 December quarter and wage growth has been sluggish (but is expected to rise gradually).

Figure 1: Annual ANZ inflation gauges and non-tradable inflation



Source: ANZ Research, Statistics NZ

¹ The ANZ Monthly Inflation Gauge provides a monthly signal of broad movements in Statistics NZ's quarterly non-tradable CPI inflation data. The Underlying Ex-housing Gauge adjusts for indirect taxes and tertiary education fees and removes housing group prices. Data is subject to revision. All annual movements (y/y) are on a rolling 3-month average basis unless otherwise stated.

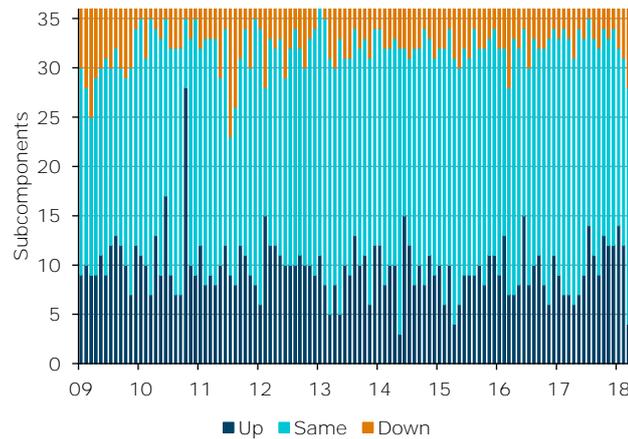
ANZ MONTHLY INFLATION GAUGE

Figure 2: Quarterly inflation measures



Source: ANZ Research, Statistics NZ

Figure 3: Price moves by direction



Source: ANZ Research

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Nov-16	1291	0.0		
Dec-16	1295	0.3	0.5	0.6
Jan-17	1301	0.5		
Feb-17	1304	0.3		
Mar-17	1307	0.2	0.9	1.0
Apr-17	1306	-0.1		
May-17	1308	0.2		
Jun-17	1310	0.1	0.3	0.2
Jul-17	1316	0.5		
Aug-17	1319	0.2		
Sep-17	1323	0.3	0.8	0.7
Oct-17	1325	0.2		
Nov-17	1329	0.2		
Dec-17	1335	0.5	0.8	0.5
Jan-18	1345	0.8		
Feb-18	1342	-0.3		
Mar-18	1338	-0.2	0.9	

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