

## ANZ MONTHLY INFLATION GAUGE

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### CONTACT

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### SUMMARY

- Prices from the Gauge rose 0.2% in February and are up 2.2% y/y.<sup>1</sup>
- Price rises were sparse in the Gauge; the main thrust once again came from the housing and household utilities group.
- The underlying gauge flat-lined for the second month in a row.

### LEFT HANGING

**Prices from the Gauge lifted 0.2% in February.** Inflation enthusiasts will note the Gauge rose 0.8% on a 3-month rolling basis – its strongest rate in almost a year. However, the annual rate eased from 2.3% to 2.2%, with those looking for signs of life outside of housing left hanging.

**The housing and household utilities group provided the largest contribution in the month. This has been a recurring theme and is one we expect to continue.** A 0.5% rise in rents was mirrored by the ‘purchase of housing’ component. The squeeze on building sector labour and housing supply will likely see this group continue to feature strongly in 2017.

**Higher prices were also recorded in medical and professional services, tertiary education and health insurance.** But moves were modest, and these rises are typical of the gauge in recent months, with pockets of inflation scattered.

**Overall, inflationary nuances were generally tame.**

- The seasonally adjusted series crept up by just 0.1%, which is nothing to get excited about.
- The Underlying Ex-housing Gauge is yet to score any runs in 2017, recording a flat outcome for a second consecutive month.
- Broad-based inflation is still missing, with only six of the 36 main series rising (28 remained unchanged, while two were down).
- Accommodation services (down 1.6%) and vehicle insurance (down 0.1%) were the only prices to fall in February.

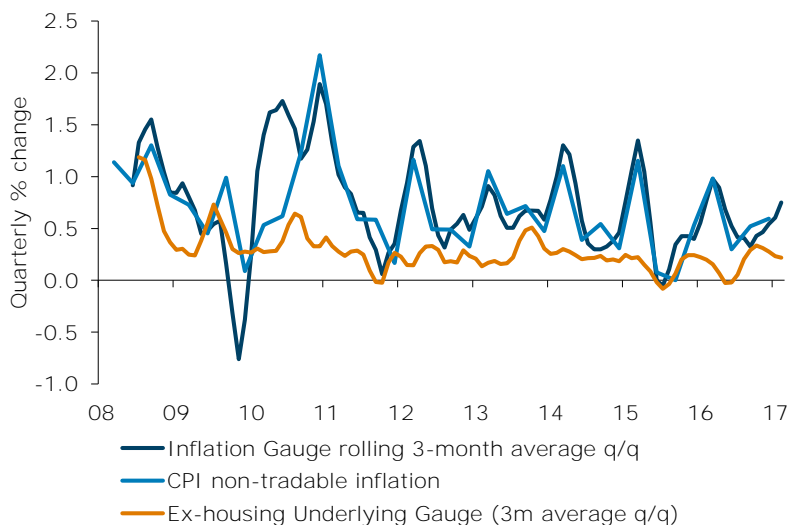
**It all means we will be pondering the path of inflation for a while yet.**

**We do believe the inflation cycle has turned in New Zealand,** which is consistent with the economy increasingly butting up against capacity pressures. However, the Gauge suggests **that it’s not one-way** traffic, and that this process is occurring only gradually. There is a distinct lack of evidence that price pressures are broadening beyond just housing.

<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.

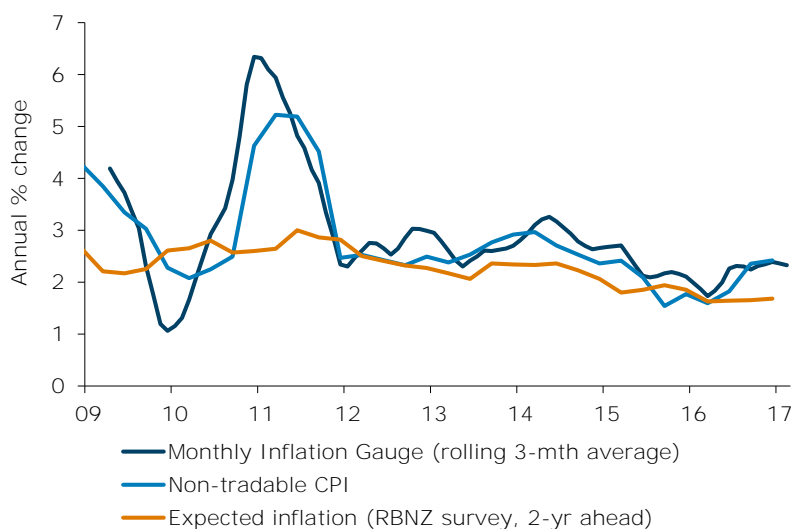
# ANZ MONTHLY INFLATION GAUGE

**FIGURE 1: ANZ MONTHLY INFLATION GAUGE**



Source: ANZ, Statistics NZ

**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%)
Oct-15	1260	0.1		
Nov-15	1262	0.2		
Dec-15	1264	0.2	0.4	0.5
Jan-16	1271	0.6		
Feb-16	1275	0.3		
Mar-16	1277	0.2	1.0	1.0
Apr-16	1279	0.2		
May-16	1280	0.1		
Jun-16	1284	0.3	0.5	0.3
Jul-16	1283	-0.1		
Aug-16	1285	0.2		
Sep-16	1288	0.2	0.3	0.5
Oct-16	1291	0.2		
Nov-16	1291	0.0		
Dec-16	1295	0.3	0.5	0.6
Jan-17	1301	0.5		
Feb-17	1303	0.2		

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