

ANZ NZ Monthly Inflation Gauge

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The next issue of the ANZ Monthly Inflation Gauge is scheduled for release on 12 February 2019 at 1pm.

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Heavy landing

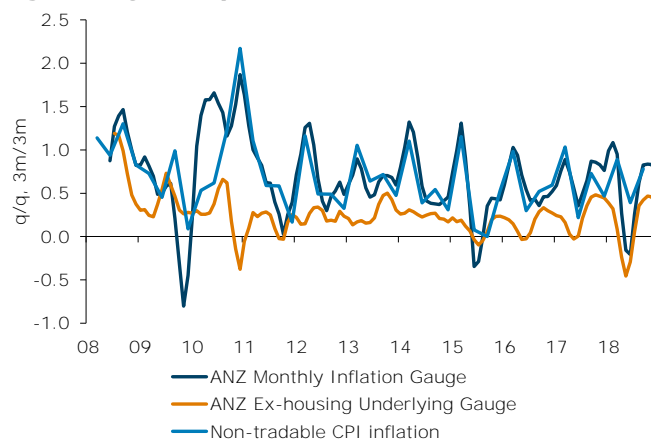
Summary

The ANZ Monthly Inflation Gauge fell 0.1% m/m in December.¹ Housing-related price pressures are trucking along, but were not strong enough to offset a large, unexpected fall in domestic air travel prices in the month. This brings the December quarter signal for non-tradable inflation to 0.7% q/q, with annual growth easing from 2.4% to 2.3%.

Key points

- The ANZ Monthly Inflation Gauge fell 0.1% m/m (+2.3% y/y) in December. Housing-related prices provided most of the lift; rents were the largest single contributor. Rents and purchase of housing (third-highest contribution overall) together contributed 0.17%pts.
- Accommodation was the second-largest contributor (+4.9% m/m) and stuck to the seasonal script, giving a December quarter read of +6.5% q/q. Statistics NZ recently made large changes to the measurement of the accommodation services component of the CPI and our estimate from the Gauge now aligns much better to the official domestic series (see page 2 for more information).
- Domestic air travel prices fell 18% m/m, contributing -0.2%pts. This fall was unexpected and is giving a very weak signal at a time that would usually be the peak of the calendar year (see figure 5).
- Over the December quarter the Gauge rose 0.7% q/q, with housing-related price pressures, stretched accommodation services, and some other small price increases offsetting the marked fall in domestic air travel prices.
- Looking through the noise, **we're left with a non-tradable inflation pulse that is meandering along, and which doesn't look set to take off any time soon.** CPI for Q4 will be released on 23 January, with our preview due out later this week.

Figure 1. Quarterly 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.



Tables and charts

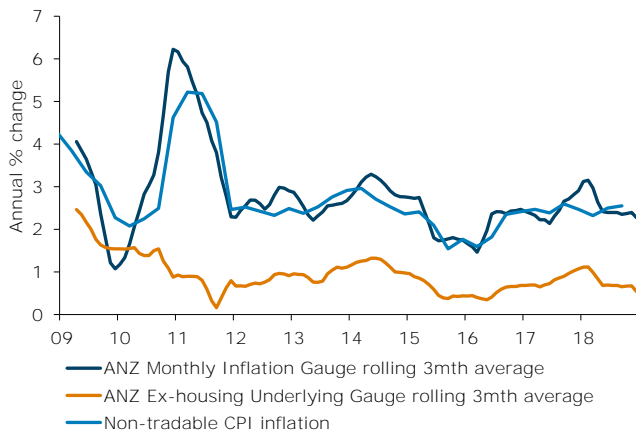
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Aug-17	1311	0.2		
Sep-17	1316	0.4	0.9	0.7
Oct-17	1319	0.2		
Nov-17	1321	0.2		
Dec-17	1327	0.4	0.8	0.5
Jan-18	1338	0.8		
Feb-18	1335	-0.2		
Mar-18	1332	-0.2	1.0	0.9
Apr-18	1330	-0.2		
May-18	1331	0.1		
Jun-18	1335	0.3	-0.2	0.4
Jul-18	1340	0.4		
Aug-18	1342	0.2		
Sep-18	1346	0.3	0.8	0.8
Oct-18	1351	0.4		
Nov-18	1353	0.2		
Dec-18	1352	-0.1	0.7	

The following charts show both the ANZ Monthly Inflation Gauge measures for selected components and the associated CPI data from Statistics New Zealand (SNZ).

There is an ongoing process of alignment of the Gauge with the sources and methodology used by SNZ.² SNZ recently moved 'overseas accommodation prepaid in New Zealand' from the non-tradable side of the ledger to tradable (including over history). We have followed suit and removed it from the Gauge. Our estimate of domestic accommodation services now aligns very closely to that published in the CPI (see figure 3).

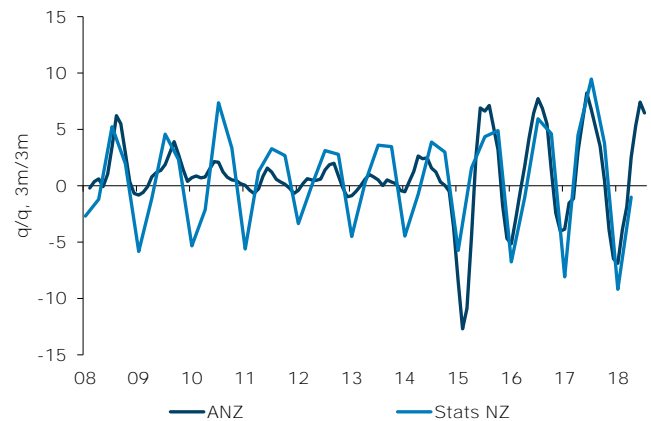
Figure 5 shows the unexpected fall in domestic air travel seen this month, which has resulted in a December quarter markedly different from the price peak we usually see. We will be watching this closely to see if it is replicated in the CPI.

Figure 2. Annual inflation measures



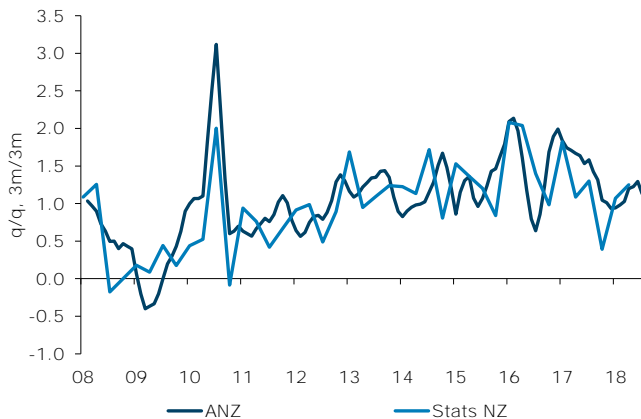
Source: ANZ Research, Statistics NZ

Figure 3. Accommodation services



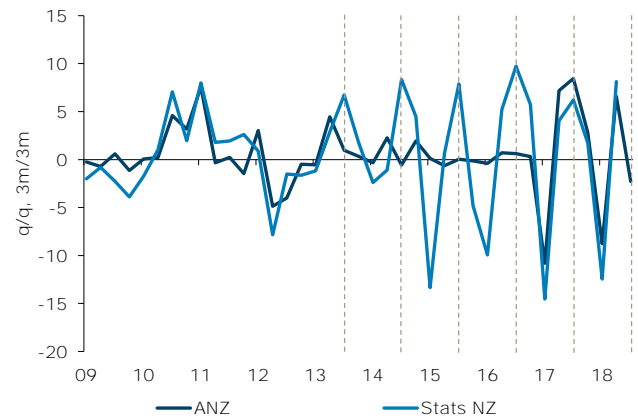
Source: ANZ Research, Statistics NZ

Figure 4. Purchase of housing



Source: ANZ Research, Statistics NZ

Figure 5. Domestic air transport



Source: ANZ Research, Statistics NZ

² SNZ Consumers Price Index sources and methods are available on their website [here](#).



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