

NEW ZEALAND ECONOMICS ANZ TRUCKOMETER

6 October 2016

CONTACT:

Sharon Zollner
Senior Economist
Telephone: +64 9 357 4094
E-mail: sharon.zollner@anz.com

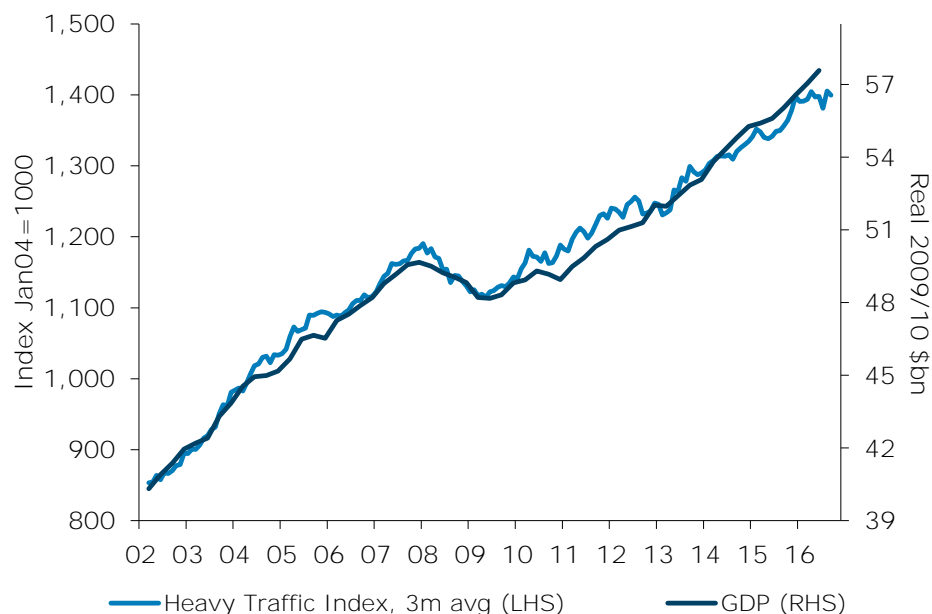
The next issue of the ANZ *Truckometer* is scheduled for release on 8 November 2016 at 10am.

STEADY AS SHE GOES

KEY POINTS

- **The ANZ Heavy Traffic Index eased 1.4% in September after a 6.8% bounce in August. The index is trending upward but at a slower rate than earlier in the year.** The Light Traffic Index lifted 0.4% m/m, maintaining its very strong trend.
- **The economy has been outperforming the signal from the Heavy Traffic Index in recent months.** This perhaps reflects recent strains in the dairy sector, which, while having some influence on traffic volumes, have not led to materially softer GDP growth. We are therefore not reading too much into the recent flattening, particularly given that the Light Traffic Index continues to test the speed limit.
- **Turning to the detail: the Heavy Traffic Index¹ eased 1.4% m/m (+0.1% q/q) in September. The Light Traffic Index², which broadly leads growth in the economy by six months, rose 0.4% m/m (+1.5% q/q).**

GDP AND THE ANZ HEAVY TRAFFIC INDEX 3-MONTH AVERAGE



Source: ANZ, NZ Transport Agency, Statistics NZ

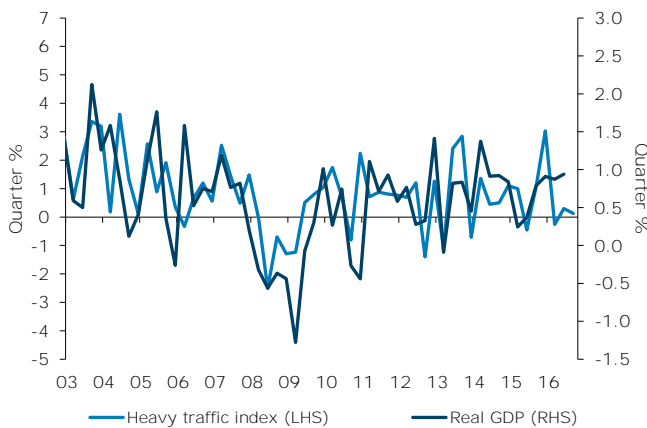
¹ **The ANZ Heavy Traffic Index** comprises flows of vehicles weighing more than 3.5 tonnes (primarily trucks) on 11 selected roads around NZ. It is contemporaneous with GDP growth. Because of monthly volatility we chart the 3-month average to make the signal clearer.

² **The ANZ Light Traffic Index** is made up of light or total traffic flows (primarily cars and vans) on 10 selected roads around the country. It gives a six month lead on GDP growth in normal circumstances.

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The ANZ Heavy Traffic Index eased 1.4% in the month of September (seasonally adjusted – sa) after a 6.8% rise in August. Because of a fall in July it is up only 0.1% in the September quarter but has been undershooting GDP growth this year, so at this stage we are not reading too much into the fact it has flattened out.

FIGURE 1. ANZ HEAVY TRAFFIC INDEX AND GDP GROWTH



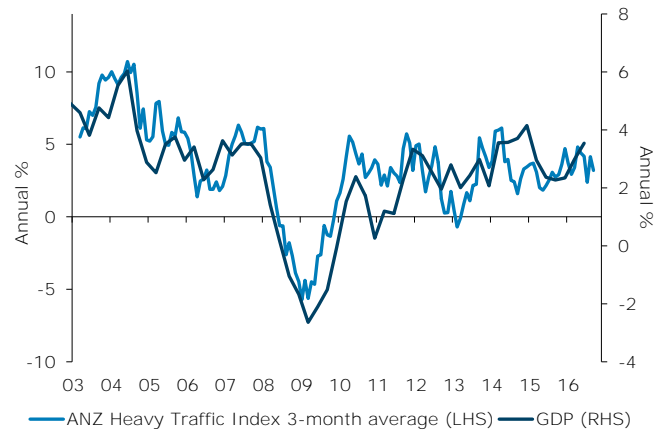
Source: ANZ, NZ Transport Agency, Statistics NZ

Annual growth in the Heavy Traffic Index (3-month average) is running at 3.2% (figure 2). It has been fairly steady around this kind of growth rate over the past year.

The Light Traffic Index gives around a 6-month lead on the economy and is best interpreted as a measure of momentum. **It rose 0.4% in September (sa).** The very strong upward trend in the index (figure 3) is a reflection of strong population growth, solid growth in services sector activity and tourism, and a confident consumer. It suggests the recent acceleration in economic momentum will continue into next year (figure 4).

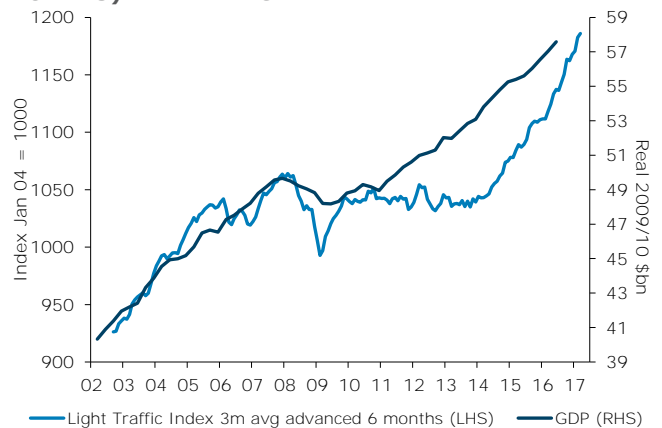
The economy has accelerated this year, with this strength better captured by light traffic than heavy. This divergence captures a broader observation: that the dairy sector slowdown has not knee-capped the New Zealand economy to the extent one might have expected. Strong population growth and exceptionally low interest rates have resulted in a boom in building and related services, while tourism has also been very strong. We don't believe the New Zealand economy is in danger of running out of fuel any time soon, but we are watching out for signs that often indicate a business cycle is becoming overripe, such as excessive borrowing and consumer largesse. We also remain nervous that the mismatch between lacklustre global growth and buoyant global asset prices may be resolved in an unpleasant way.

FIGURE 2. ANZ HEAVY TRAFFIC INDEX AND ANNUAL GDP GROWTH



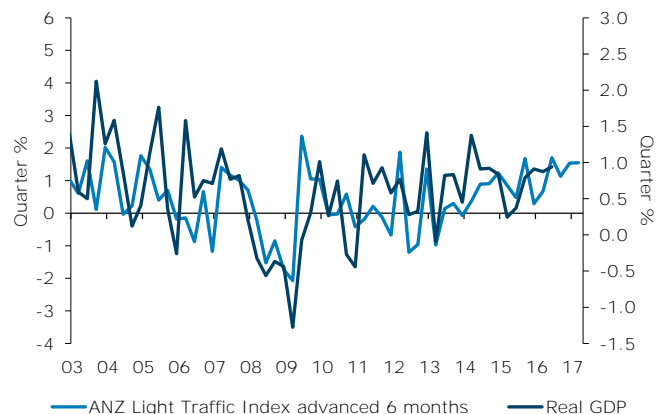
Source: ANZ, NZ Transport Agency, Statistics NZ

FIGURE 3. ANZ LIGHT TRAFFIC INDEX (ADVANCED 6 MONTHS) AND REAL GDP



Source: ANZ, NZ Transport Agency, Statistics NZ

FIGURE 4. ANZ LIGHT TRAFFIC INDEX (3-MONTH AVERAGE, ADV. 6 MONTHS) AND GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

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APPENDIX

Technical notes on how the ANZ Truckometer is produced were included in the initial release on 10 April 2012, available on the ANZ website or on request. The indexes' data history (subject to revision) is also available.

In September, traffic flows lifted on 4 of 11 roads in the Heavy Traffic Index, and 6 of 10 roads in the Light Traffic Index (seasonally adjusted).

	Light Traffic Index			Heavy Traffic Index		
	Index Jan 04=1000	Monthly % chg	Monthly % chg, 3m avg	Index Jan 04=1000	Monthly % chg	Monthly % chg, 3m avg
Sep-15	1133	2.3	0.6	1366	1.7	0.5
Oct-15	1132	-0.1	0.5	1383	1.2	0.6
Nov-15	1135	0.3	0.8	1385	0.2	1.0
Dec-15	1145	0.9	0.4	1424	2.8	1.4
Jan-16	1129	-1.4	-0.1	1363	-4.3	-0.5
Feb-16	1156	2.4	0.6	1386	1.7	0.0
Mar-16	1166	0.8	0.6	1432	3.3	0.2
Apr-16	1169	0.3	1.1	1396	-2.5	0.8
May-16	1153	-1.4	-0.1	1363	-2.4	-0.5
Jun-16	1183	2.6	0.5	1434	5.2	0.0
Jul-16	1177	-0.5	0.2	1346	-6.2	-1.2
Aug-16	1188	1.0	1.0	1437	6.8	1.8
Sep-16	1193	0.4	0.3	1416	-1.4	-0.4

FIGURE 5. ANZ HEAVY TRAFFIC INDEX: RAW VS. SA

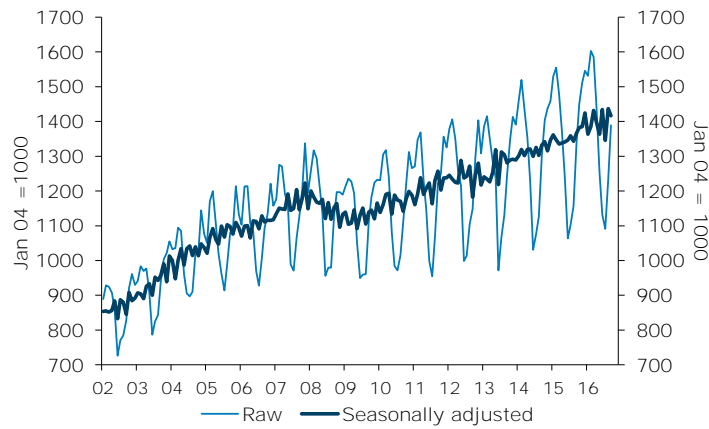
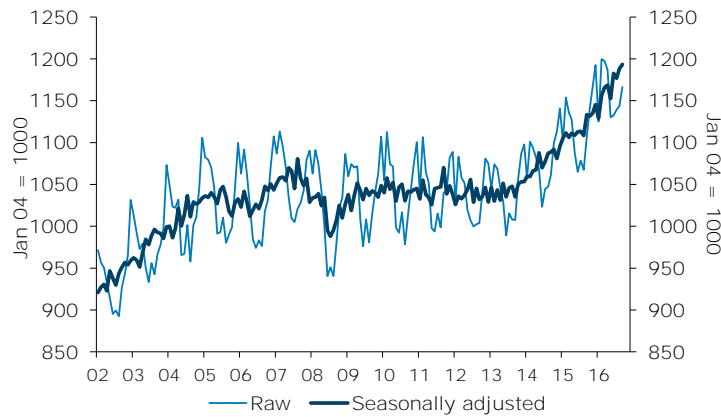


FIGURE 6. ANZ LIGHT TRAFFIC INDEX: RAW VS. SA



Source: ANZ, NZ Transport Agency

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