

## ANZ MONTHLY INFLATION GAUGE

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### CONTACT

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### SUMMARY

- Prices in the Gauge lifted 0.4% m/m in December (2.8% y/y).<sup>1</sup>
- The Underlying Ex-housing Gauge rose 0.1% m/m to be up 1.1% y/y.
- Housing remains the most important driver, with rents taking the baton. Signs of a generalised lift in inflation remain elusive.

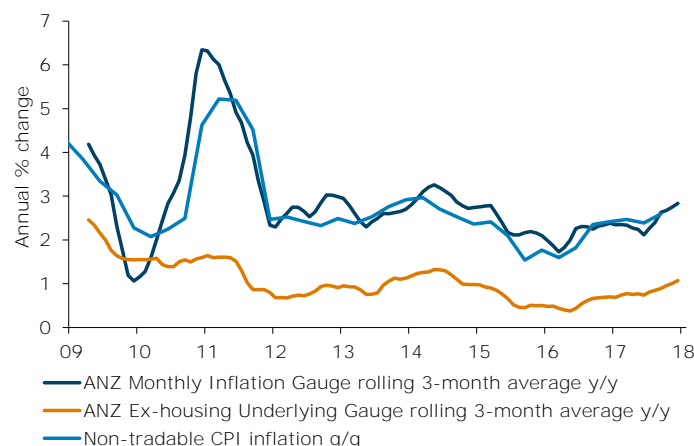
### RENTS ON THE MOVE

**Prices in the ANZ Monthly Inflation Gauge lifted 0.4% m/m in December.** In seasonally adjusted terms, the headline Gauge lifted 0.3% m/m. The annual movement was unchanged at 2.8%. The Underlying Ex-housing Gauge rose just 0.1% m/m, illustrating the importance of the housing component. The ex-housing gauge has shown monthly increases of 0.1-0.2% for the past eight months. Of the 36 subcomponents in the Gauge, 12 rose, two fell and 22 remained unchanged.

**Rents made the strongest contribution this month**, up another 0.8% m/m and contributing 0.16%pts. Purchase of housing was the next largest contributor, up 0.9% m/m and contributing 0.08%pts. **In all, the Housing and Household Utilities group** (the above components plus property maintenance, rates and energy) **contributed two thirds of the monthly increase in the Gauge.** Seasonal swings in accommodation and air transport again explained much of the remainder. The generalised inflation story remains elusive.

**The path of inflation from here is unclear.** Housing has been driving what non-tradable inflation there is, and the housing market has now slowed – but rents are lifting, and they have a hefty weight in the CPI. We are expecting somewhat ho-hum economic growth in the near term, but we see upside risk to wages and thus firms' costs. Place your bets.

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

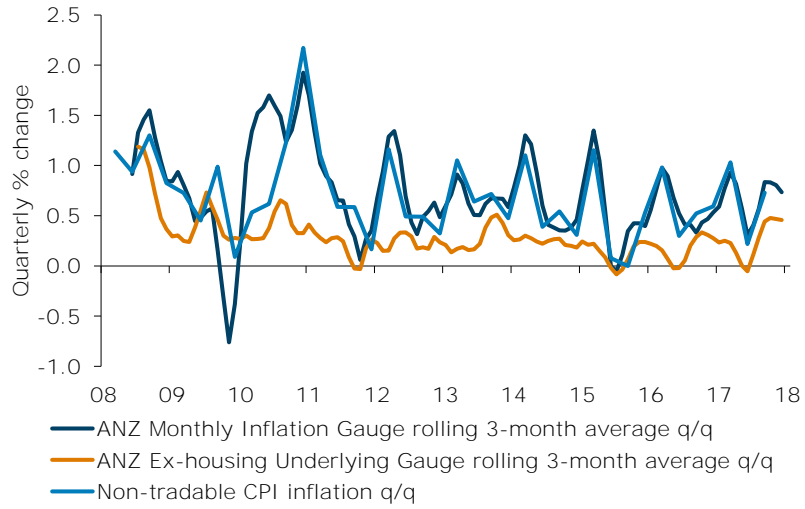


Source: ANZ Research, Statistics NZ

<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. The availability of, and revisions to, source data, as well as changes in methods used to construct the Gauge may cause revisions in the series. All annual movements (y/y) are on a rolling 3 month average basis unless otherwise stated.

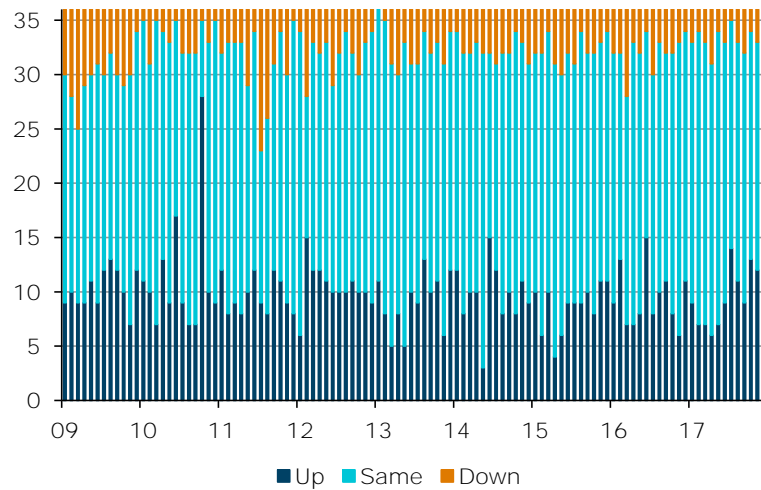
# ANZ MONTHLY INFLATION GAUGE

**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%)
Aug-16	1286	0.2		
Sep-16	1289	0.2	0.3	0.5
Oct-16	1292	0.2		
Nov-16	1292	0.0		
Dec-16	1296	0.3	0.5	0.6
Jan-17	1302	0.5		
Feb-17	1305	0.3		
Mar-17	1308	0.2	0.9	1.0
Apr-17	1307	-0.1		
May-17	1309	0.2		
Jun-17	1311	0.1	0.3	0.2
Jul-17	1317	0.5		
Aug-17	1320	0.2		
Sep-17	1324	0.3	0.8	0.7
Oct-17	1326	0.2		
Nov-17	1329	0.2		
Dec-17	1334	0.4	0.7	

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