No room at the inn

Summary

The ANZ Monthly Inflation Gauge increased 0.6% m/m in November, boosted by a strong increase in prices of accommodation services.1 But rather than reflecting holiday demand, the increase is a symptom of data volatility. Outside of accommodation, prices increased a modest 0.2% m/m to be stable at 2.4% y/y.

Key points

The ANZ Monthly Inflation Gauge increased 0.6% m/m (2.8% y/y) in November. Underlying this, prices of accommodation services increased 11% m/m. But rather than reflecting holiday demand, the increase is a symptom of volatility, following the incorporation of pre-paid overseas holidays in the data – with prices of accommodation services falling 20% m/m last month.2

In light of recent volatility, the headline Gauge is overstating the degree of inflationary pressure. Excluding accommodation services, the Gauge was up 0.2% m/m in November and has been stable at 2.4% y/y for the past seven months. Combined with a 0.3% m/m increase in October, the November rise suggests that non-tradable inflation is shaping up to be robust in Q4. Over the past three months, non-tradable prices (ex-accommodation) have increased 0.7%.

However, evidence that inflation is broadening is tentative at best. Housing and household utilities continue to drive increases in the Gauge. In November, rents were up 0.5% m/m, purchase of housing was up 0.2% m/m and electricity lifted 0.4% m/m – together contributing 0.14%pts to the 0.2% monthly increase in the Gauge outside of accommodation. Inflation related to housing and household utilities has been running near 3% y/y for the past seven months, while the ex-housing Gauge is running at 1.2% y/y.

The ex-housing Gauge increased 0.5% m/m in November, driven almost entirely by accommodation. Outside of this, telecommunication services saw the only other notable increase, up 0.9% (contributing 0.05%pts to the monthly move).

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.
2 Aligning the treatment of prepaid overseas holidays within the accommodation services component of the Gauge with Stats NZ methods and sources remains a work in progress. This series may be revised in coming months.
### Monthly Inflation Gauge (Index)

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<th>Month</th>
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<th>Monthly Inflation Gauge (m/m%)</th>
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### Figures

**Figure 2. Annual inflation measures**

Source: ANZ Research, Statistics NZ

**Figure 3. Distribution of price changes**

Source: ANZ Research, Statistics NZ

**Figure 4. Gauge vs gauge ex-accommodation services**

Source: ANZ Research
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