

ANZ NZ Monthly Inflation Gauge

11 December 2018



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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.

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The next issue of the ANZ Monthly Inflation Gauge is scheduled for release on 14 January 2019 at 1pm.

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Key points

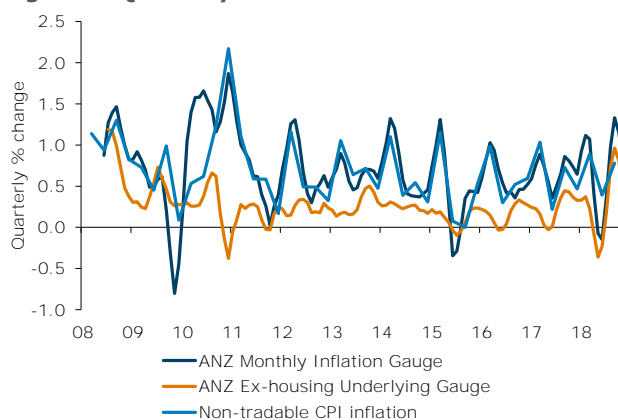
The ANZ Monthly Inflation Gauge increased 0.6% m/m (2.8% y/y) in November. Underlying this, prices of accommodation services increased 11% m/m. But rather than reflecting holiday demand, the increase is a symptom of volatility, following the incorporation of pre-paid overseas holidays in the data – with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

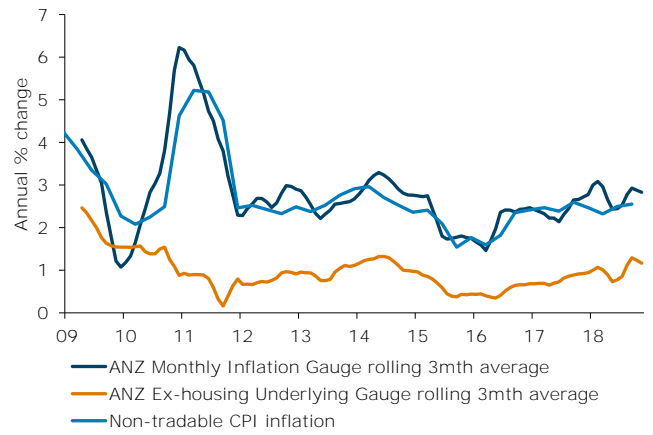
¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.

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.



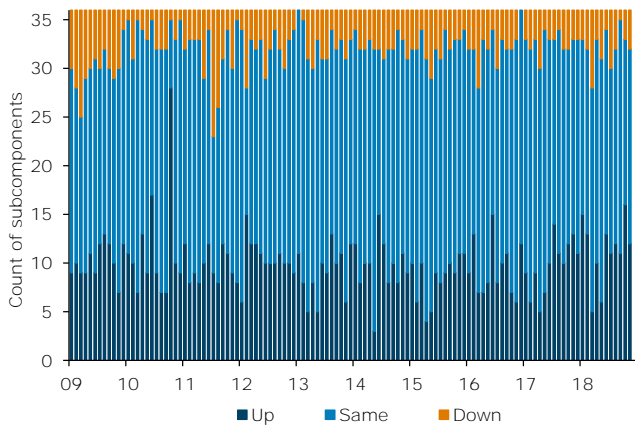
| | Monthly Inflation Gauge (Index) | Monthly Inflation Gauge (m/m%) | Implied Inflation Gauge (q/q%) | Actual non-tradable CPI (q/q%) |
|--------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Jul-17 | 1309 | 0.4 | | |
| Aug-17 | 1311 | 0.2 | | |
| Sep-17 | 1316 | 0.3 | 0.9 | 0.7 |
| Oct-17 | 1317 | 0.1 | | |
| Nov-17 | 1319 | 0.2 | | |
| Dec-17 | 1325 | 0.4 | 0.6 | 0.5 |
| Jan-18 | 1337 | 0.9 | | |
| Feb-18 | 1335 | -0.1 | | |
| Mar-18 | 1333 | -0.2 | 1.1 | 0.9 |
| Apr-18 | 1330 | -0.2 | | |
| May-18 | 1331 | 0.1 | | |
| Jun-18 | 1337 | 0.4 | -0.1 | 0.4 |
| Jul-18 | 1344 | 0.5 | | |
| Aug-18 | 1352 | 0.6 | | |
| Sep-18 | 1356 | 0.3 | 1.3 | 0.8 |
| Oct-18 | 1350 | -0.4 | | |
| Nov-18 | 1358 | 0.6 | | |

Figure 2. Annual inflation measures



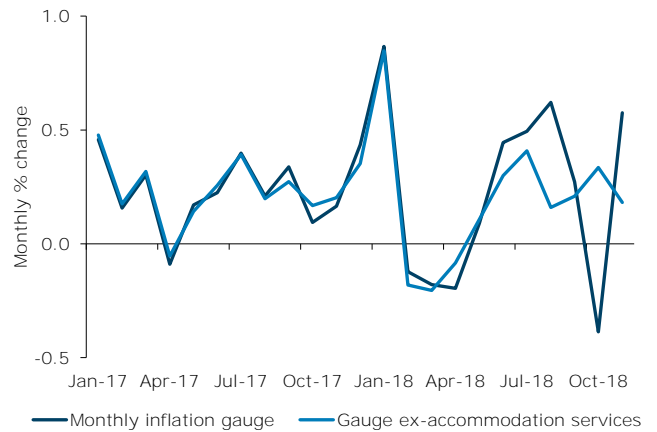
Source: ANZ Research, Statistics NZ

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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