

ANZ MONTHLY INFLATION GAUGE

September 2017

CONTACT

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SUMMARY

- Prices in the Gauge lifted 0.2% m/m in August and are up 2.6% y/y.¹
- The Underlying Ex-housing Gauge increased 0.2% in the month and is up a subdued 0.9% y/y.
- There is still little inflation to see outside of housing.

LIKE A BROKEN RECORD

Prices in the Gauge lifted 0.2% m/m in August, which is the same monthly increase seen in the August months in both 2016 and 2015. The annual movement was unchanged at 2.6%. The Underlying Ex-housing Gauge rose just 0.2% m/m.

Quarterly growth in the headline gauge rose from 0.4% to 0.6%, while it lifted from 0.1% to 0.3% for the Underlying Ex-housing Gauge.

However, both are still subdued quarterly increases.

Lifts in the domestic air transport group made the largest upwards contribution. That's purely seasonal. Housing was a mixed bag, with purchase of housing costs on the rise, but rents moving in the other direction. Increases in hospital services and accommodation services also made positive contributions.

The headline Gauge lifted 0.3% m/m in seasonally adjusted terms, while the Underlying Ex-housing Gauge was up 0.2% m/m seasonally adjusted. There is not much to see in either.

Of the 36 groups in the Gauge, 11 rose, two fell and 22 remained unchanged. While there is not a lot of inflation out there, we are now seeing fewer groups show outright falls.

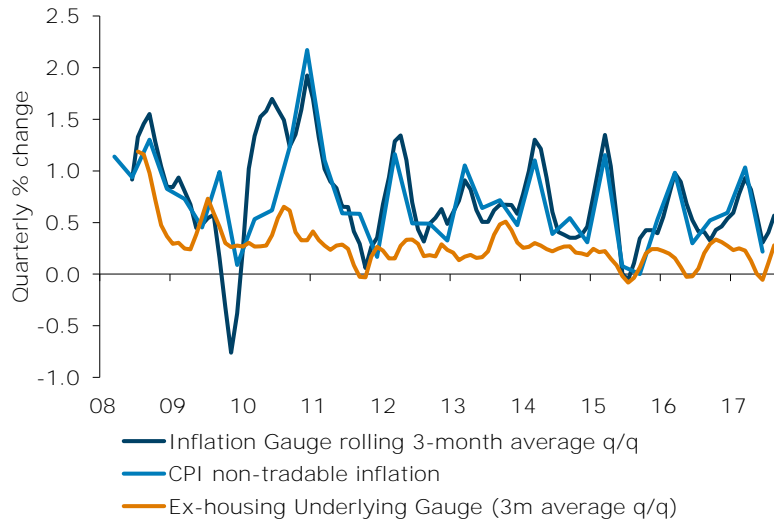
The overall inflation picture remains suppressed. Month after month it's the same story; outside of the usual monthly variations and housing-related impetus, inflation is low. That said, signs that more groups are recording price rises and fewer showing price falls is something that needs to be watched.

The RBNZ can have an extended tea-break; the OCR is going nowhere.

¹ 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.

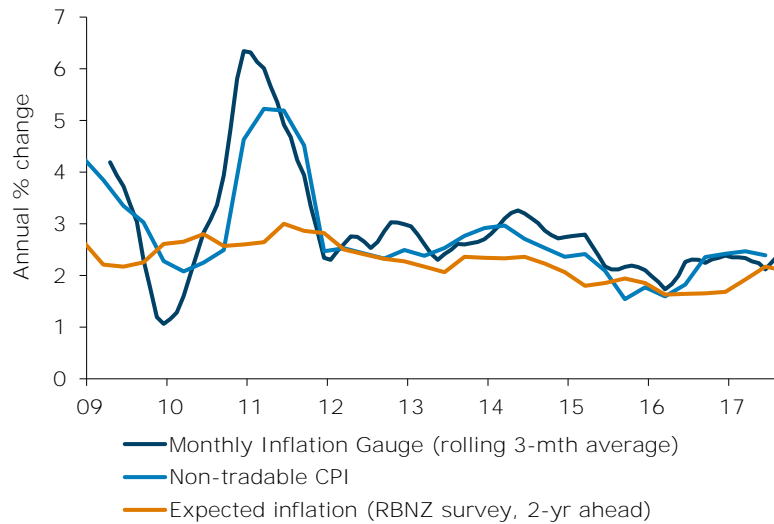
ANZ MONTHLY INFLATION GAUGE

Figure 1: ANZ Monthly Inflation Gauge



Source: ANZ, Statistics NZ

Figure 2: Annual inflation measures



Source: ANZ, Statistics NZ, RBNZ

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Apr-16	1280	0.2		
May-16	1281	0.1		
Jun-16	1285	0.3	0.5	0.3
Jul-16	1284	-0.1		
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	0.4		
Aug-17	1320	0.2		

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