

## ANZ MONTHLY INFLATION GAUGE

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## CONTACT

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**SUMMARY**

- Prices in the Gauge lifted 0.4% m/m in September and are up 2.8% y/y.<sup>1</sup>
- The Underlying Ex-housing Gauge increased 0.2% in the month and is up a subdued 0.9% y/y. However, quarterly growth in this measure was the highest in four years.
- **We appear to be seeing some inflation movement but at this stage it's hard to draw strong conclusions.**

**EARLY RUMBLINGS?**

**Prices in the Gauge lifted 0.4% m/m in September**, which is the strongest increase for a September month since 2011. The annual movement lifted to 2.8% from 2.6%. The Underlying Ex-housing Gauge once again rose 0.2% m/m.

**Quarterly growth in the headline gauge rose to 0.8%, which is higher than normal for a September quarter.** It therefore points to the prospect of a solid non-tradable inflation print when the official Q3 CPI figures are released on 17 November.

**Electricity made the largest contribution this month.** Accommodation services, purchase of housing costs, health insurance, telecommunication services and rents rounded out the top six places.

**Of the 36 groups in the Gauge, 10 rose, three fell and 23 remained unchanged.**

**The headline Gauge lifted 0.4% m/m in seasonally adjusted terms**, while the Underlying Ex-housing Gauge was up 0.1% m/m seasonally adjusted. So on the face of it, it is still the case that there is not much to see once housing is stripped out.

**But while the housing group was again the main positive contributor, we do note that other groups within the gauge are showing tentative signs of life.** In particular, despite a subdued month, quarterly growth lifted from 0.3% to 0.5% for the Underlying Ex-housing Gauge – the highest since October 2013. Prices outside of housing have tended to undershoot headline growth, but we appear to be seeing persistent growth in the Underlying Ex-housing Gauge emerging. That said, it is still a mixed picture – at the same time as some are rising, we still have a lot of non-housing groups seeing either zero or negative price movement.

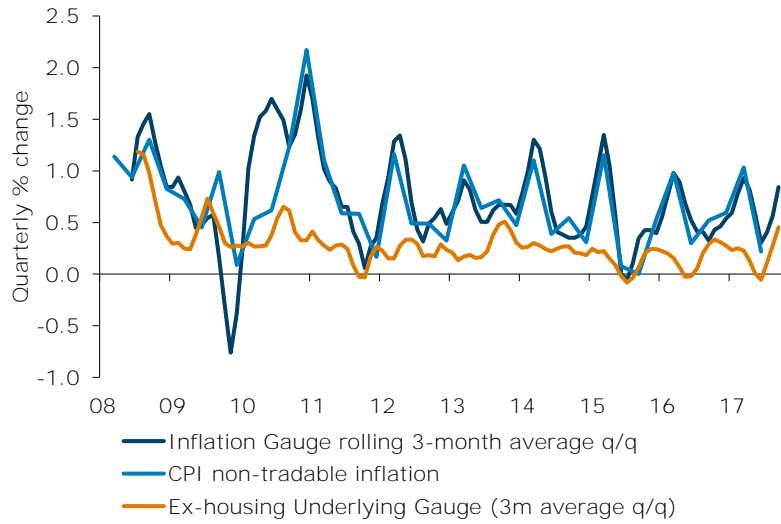
**It is a story that needs to be watched. However, it's more a case of making us more alert at the sub-component level, as opposed to drawing strong conclusions about the path of aggregate inflation.**

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<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.

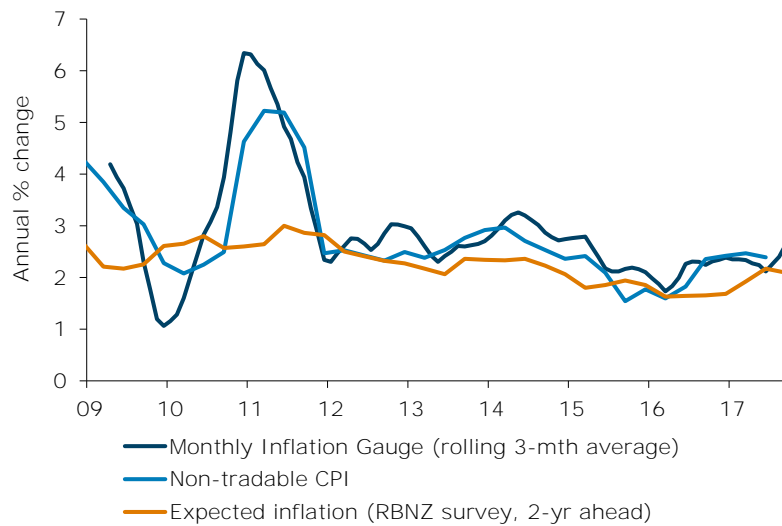
# ANZ MONTHLY INFLATION GAUGE

**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%)
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		
Sep-17	1324	0.4	0.8	

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