

## ANZ MONTHLY INFLATION GAUGE

December 2017

## CONTACT

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- Prices in the Gauge mirrored last month's 0.2% m/m gain in November and are up 2.8% y/y.<sup>1</sup>
- The Underlying Ex-housing Gauge rose 0.1% m/m to be up 1.1% y/y. **That's still low, but** it is the first time it has broken out of the 0-1.0% range since late 2014.
- **In terms of component moves, it's a case of 'same old, same old'** – some housing elements and some seasonal swings. There are still no real signs of a generalised lift in inflation.

**NOT MUCH TO SEE HERE**

**Prices in the Gauge lifted 0.2% m/m in November.** In seasonally adjusted terms, the headline Gauge also lifted 0.2% m/m. The annual movement rose a touch to 2.8% (previously 2.7%). The Underlying Ex-housing Gauge rose 0.1% m/m.

**Rents made the strongest contribution this month**, perhaps due more to its hefty weight (20%) than the size of the move (+0.5% m/m). Seasonal swings in accommodation and air transport explained much of the remainder. That said, we are seeing a persistent lift in the insurance suite of prices.

**The Housing and Household Utilities group contributed more than half of the monthly increase.** Rents and purchase of housing increased, property maintenance and rates were flat, while electricity fell. Despite the monthly increase, rents have been quite steady and do not support the notion of a massive housing shortage. However, anecdotes suggest rising pressure on rental dwelling supply so we'll be keeping an eye on it.

**Of the 36 subcomponents in the Gauge, 12 rose, three fell and 21 remained unchanged.** The proportion of subcomponents that are seeing price increases is lifting slowly but we are not reading too much into it at this stage.

The ex-housing gauge has shown monthly increases of 0.1-0.2% for the past seven consecutive months. While this suggests nothing is happening fast, it is worth noting that the annual index has cracked the 1% barrier for the first time in three years.

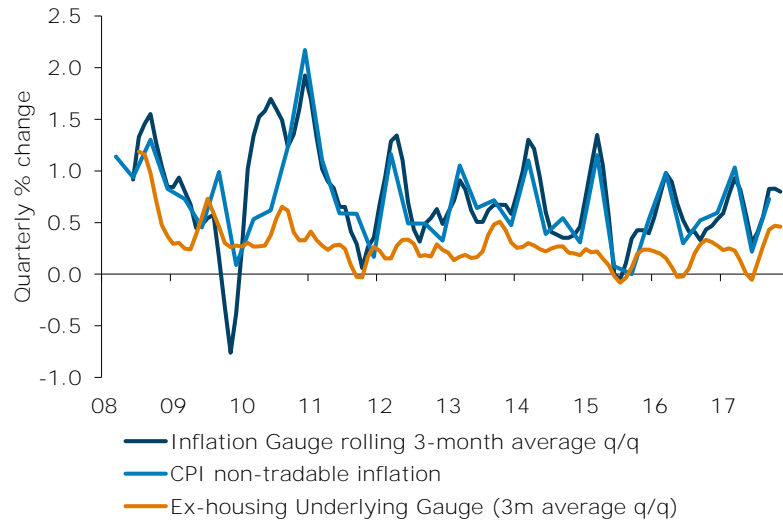
**There is still a lot of uncertainty about the path of aggregate inflation**, particularly now we expect the pace of economic growth to cool somewhat. It is difficult to grow the economy at above-trend rates when its most cyclical element, housing, is slowing. On the other hand, we do expect rising wages, which for some firms will put more pressure on costs than has been seen for some time.

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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.

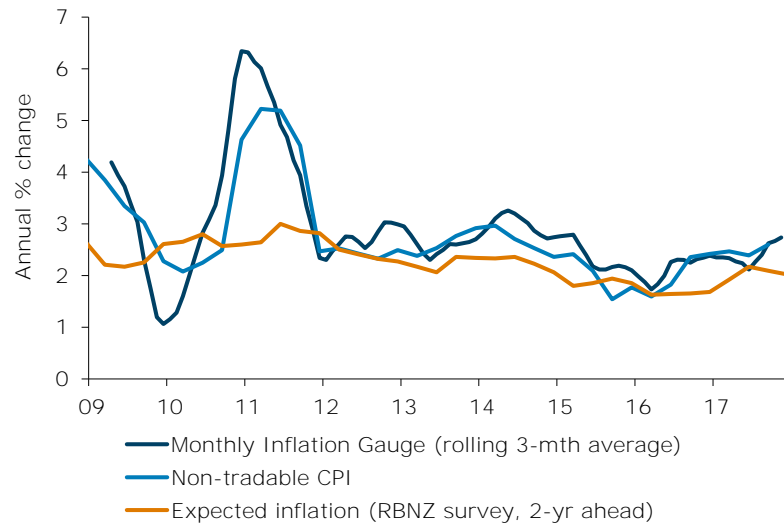
# ANZ MONTHLY INFLATION GAUGE

**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%)
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	0.3	0.8	0.7
Oct-17	1326	0.2		
Nov-17	1329	0.2		

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