

NEW ZEALAND ECONOMICS ANZ TRUCKOMETER

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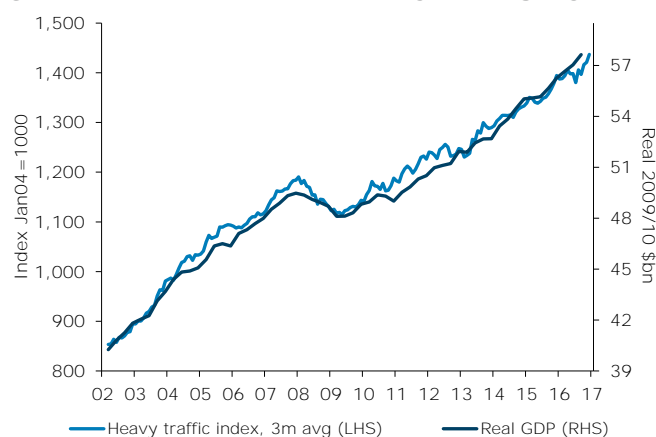
The next issue of the ANZ *Truckometer* is scheduled for release on 8 February 2017 at 10am.

APPROACHING A VARIABLE SPEED ZONE

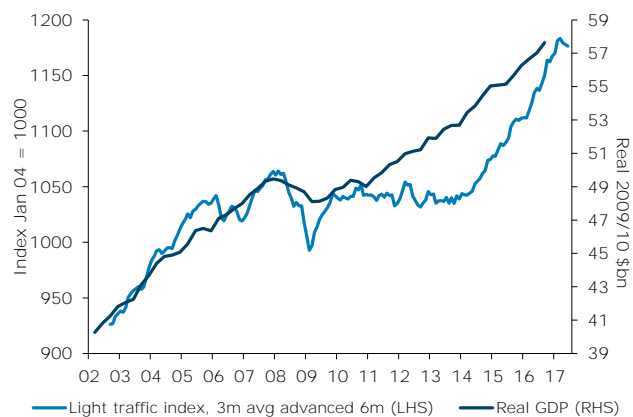
KEY POINTS

- **There was virtually no change in the ANZ Truckometer indexes in December. The Heavy Traffic Index fell 0.1% m/m, while the Light Traffic Index rose 0.1%** (the charts below are a 3-month average).¹
- Both indexes are growing around 3% y/y on a smoothed 3-month average basis. However, looking at the levels, the Heavy Traffic Index continues to trend upward, while **the upward trend in the Light Traffic Index flattened out, suggesting a moderation in growth as we approach the middle of 2017.**
- The availability of credit and labour are starting to constrain growth. Given the economy is now attempting to grow faster than it sustainably can, **we expect to see growth moderate** over the course of 2017 from a gallop to a canter.

GDP AND THE ANZ HEAVY TRAFFIC INDEX 3-MONTH AVERAGE



GDP AND THE ANZ LIGHT TRAFFIC INDEX 3-MONTH AVERAGE



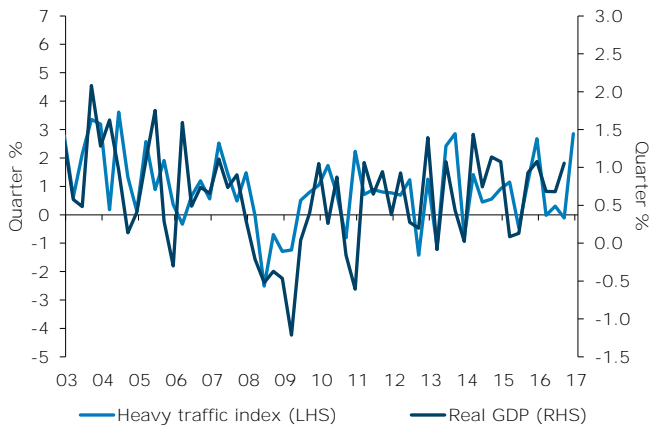
Source: ANZ, NZ Transport Agency, Statistics NZ

¹ The Kaikoura earthquake has seen a change in pattern of container freight at North Island ports, which has increased heavy traffic flows on State Highway 2. These impacts are likely to last for some time, but reflect diverted activity, not new activity. We therefore make a statistical adjustment for this (2 sites).

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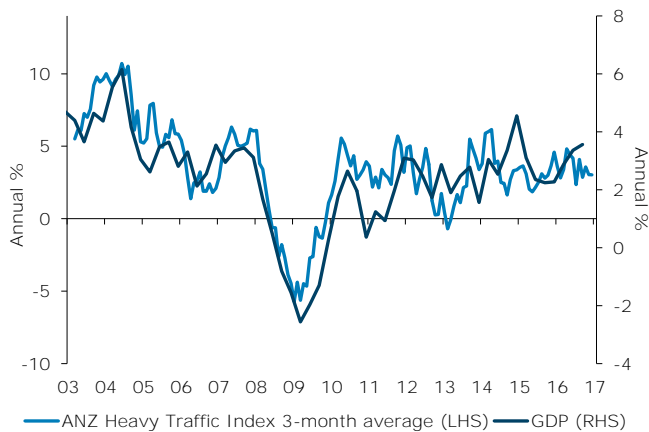
The ANZ Heavy Traffic Index fell 0.1% in December (seasonally adjusted – sa), though was still up a hefty 2.9% in the December quarter. It suggests growth in the economy was strong over the final three months of the year (figures 1 and 2), although as it underestimated growth in the middle of 2016 it may be overstating the quarterly lift in Q4.

FIGURE 1. ANZ HEAVY TRAFFIC INDEX AND GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

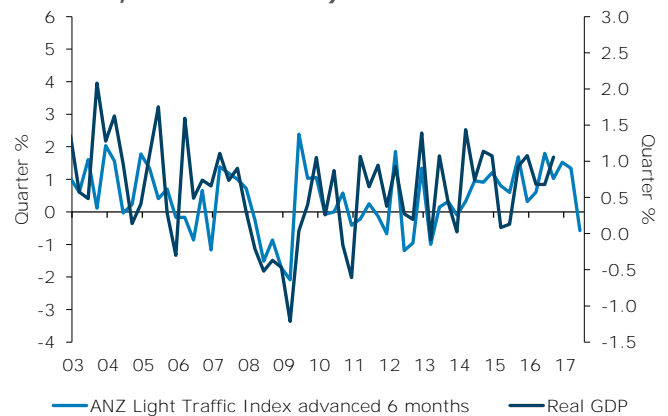
FIGURE 2. ANZ HEAVY TRAFFIC INDEX (6-MONTH AVERAGE) AND ANNUAL GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

The Light Traffic Index gives a 6-month lead on the direction of the economy and is best interpreted as a measure of momentum. The very strong upward trend in the index seems to be **faltering**, after what's been an exceptionally strong run (see chart page 1). **It rose 0.1% in December (sa), but fell 0.6% in Q4.** This is the first quarterly fall in the index in more than three years, and suggests we may see a cooling in GDP growth towards the middle of this year.

FIGURE 3. ANZ LIGHT TRAFFIC INDEX (6-MONTH AVERAGE, ADV. 6 MONTHS) AND GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

This is consistent with the evidence that **the economy may be starting to hit some speed limits:** labour shortages, high debt levels, and less appetite/ability to lend by banks (partly due to the Reserve Bank's high-LVR mortgage lending restrictions).

It could be that we are approaching the peak of the economic cycle, in growth terms. This does not mean something nasty is around the corner (though we are closely watching global risks). However, the economy is at somewhat of a cross roads. If consumers become over-exuberant based on their house price gains, the chances of a sharper future economic correction will intensify. If, on the other hand, they continue to show a degree of restraint, then the good times can go on for an extended period.

The economy is in better structural shape (eg subdued inflation and a less-worrisome current account deficit) than it has typically tended to be at this stage of the economic cycle. We assume that that will remain the case. But **a return of household borrow-and-spend behaviours of old would increase risks of a wilder boom/bust cycle**, and that would not be great for business.

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APPENDIX

Technical notes on how the ANZ Truckometer is produced were included in the initial release on 10 April 2012, available on the ANZ website or on request. The indexes' data history (subject to revision) is also available.

After adjusting for altered heavy traffic patterns due to the Kaikoura earthquake, traffic flows lifted on 4 of 11 roads in the Heavy Traffic Index in December, and 5 of 10 roads in the Light Traffic Index (seasonally adjusted).

	Light Traffic Index			Heavy Traffic Index		
	Index Jan 04=1000	Monthly % chg	Monthly % chg, 3m avg	Index Jan 04=1000	Monthly % chg	Monthly % chg, 3m avg
Dec-15	1145	0.7	0.3	1415	2.3	1.1
Jan-16	1128	-1.5	-0.2	1364	-3.6	-0.5
Feb-16	1156	2.5	0.6	1386	1.7	0.1
Mar-16	1166	0.9	0.6	1433	3.3	0.4
Apr-16	1169	0.2	1.2	1398	-2.4	0.8
May-16	1152	-1.4	-0.1	1363	-2.5	-0.5
Jun-16	1183	2.7	0.5	1434	5.2	0.0
Jul-16	1175	-0.6	0.2	1344	-6.3	-1.3
Aug-16	1187	1.0	1.0	1440	7.2	1.9
Sep-16	1188	0.1	0.1	1407	-2.3	-0.6
Oct-16	1163	-2.1	-0.3	1402	-0.4	1.4
Nov-16	1183	1.7	-0.1	1455	3.8	0.4
Dec-16	1184	0.1	-0.1	1453	-0.1	1.1

FIGURE 4. ANZ HEAVY TRAFFIC INDEX: RAW VS. SA

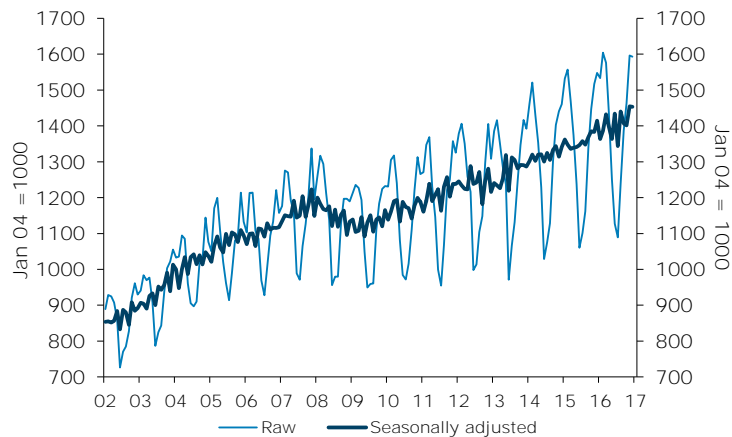
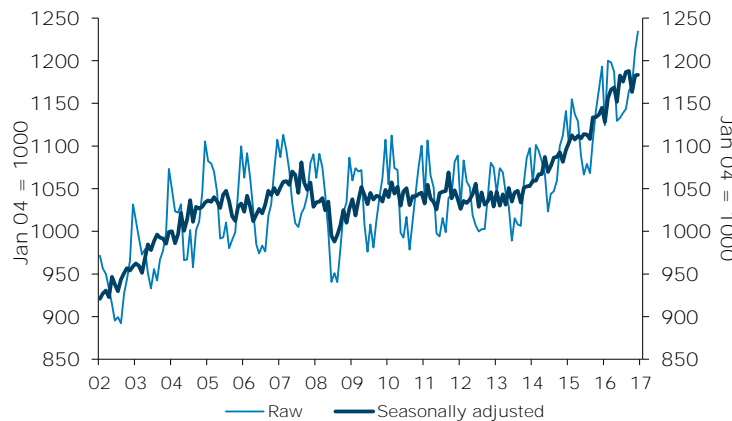


FIGURE 5. ANZ LIGHT TRAFFIC INDEX: RAW VS. SA



Source: ANZ, NZ Transport Agency



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