

## ANZ MONTHLY INFLATION GAUGE

August 2017

## CONTACT

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- Prices in the Gauge lifted 0.4% m/m in July and were up 2.5% y/y.<sup>1</sup>
- The Underlying Ex-housing Gauge increased 0.1% in the month and is up a meagre 0.7% y/y.
- There is still little inflation to see outside of housing.

**WAXING AND WANING**

**Prices in the Gauge lifted 0.4% m/m in July.** That took the annual movement from 1.9% y/y to 2.5% y/y. The headline gauge has been fluctuating within a 1.9-2.5% range for the past year. The Underlying Ex-housing Gauge rose just 0.1% m/m.

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

However, both are small quarterly increases by historical standards.

**Two groups made notable positive contributions in July.** Housing was buoyed by annual local authority rate increases (up 3.6%), a lift in rents (reversing falls in the prior two months) and purchase of housing (construction costs). The miscellaneous group was underpinned by a lift in insurance costs.

**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. The former is the largest rise since June 2016, while the latter continues to show a dormant inflation picture.

**Of the 36 groups in the Gauge, 14 rose, one fell and 21 remained unchanged.** Vehicle licensing fees contributed to a fall in the other private transport group.

**The overall inflation picture remains suppressed outside of the usual suspects, namely housing and anything related to housing.** That said, the fact that we are now starting to see more groups showing price rises and fewer showing price falls is something that needs to be watched.

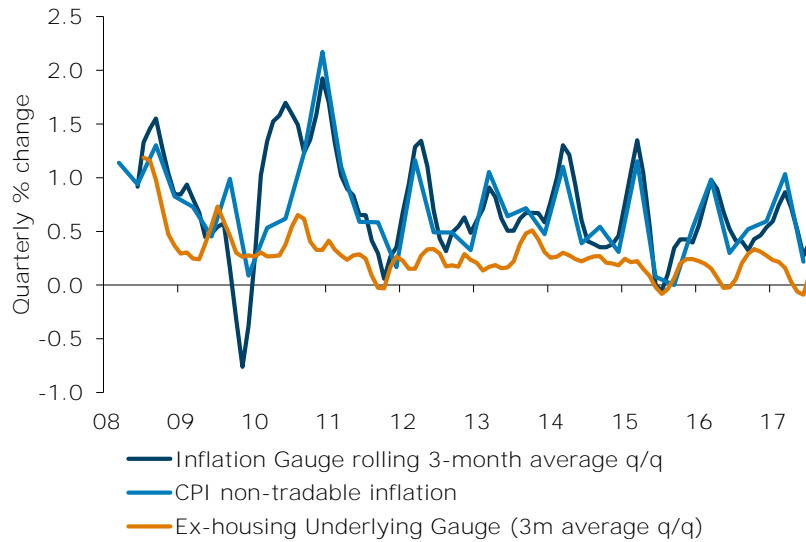
**Low inflation means the OCR is set to stay put at 1.75% for a long time.**

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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.

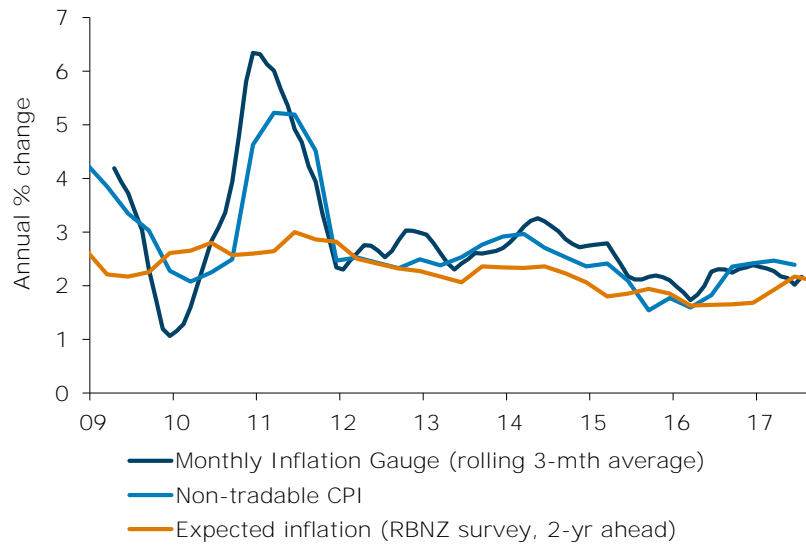
# ANZ MONTHLY INFLATION GAUGE

**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%)
Mar-16	1278	0.2	1.0	1.0
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	1304	0.2		
Mar-17	1307	0.2	0.9	1.0
Apr-17	1306	-0.1		
May-17	1308	0.2		
Jun-17	1310	0.1	0.3	0.2
Jul-17	1315	0.4		

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