

ANZ MONTHLY INFLATION GAUGE

April 2017

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SUMMARY

- Prices from the Gauge rose 0.2% m/m in March and are up 2.3% y/y.¹
- Housing and household utilities continue to push the Gauge higher; price rises elsewhere are few and far between.
- The Underlying Ex-housing Gauge was flat for the fourth time in the past five months.

TWO DIFFERENT TRAINS

Prices from the Gauge were up 0.2% in March. Pricing within the Gauge continues to reflect a dichotomy of ever-increasing costs for housing versus non-housing related products and services, which remain benign. The Gauge was up 0.9% on a 3-month basis (a typical seasonal boost) and 2.3% y/y.

The housing and household utilities group continues to provide the main impetus for the Gauge. Purchase of housing rose 1.3% and rents were up a further 0.5% in March. The squeeze on building sector labour and housing supply will likely see this group continue to feature strongly in 2017.

Other positive contributions were scattered and made only small additions to the overall Gauge. Increases from domestic air transport, health insurance, paramedical services, medical services and other private transport services ranged from 0.1-1.5%.

A benign picture of inflation persists.

- Accommodation services (down 1.1%), vehicle insurance (down 0.4%) and cultural services (down 0.1%) were the three groups to fall in the month.
- The Underlying Ex-housing Gauge recorded a hat-trick of flat outcomes for the first three months of the year.
- Another underlying gauge (excluding tobacco, alcohol and tertiary fees) showed a 0.4% quarterly rise.
- Of the 36 groups in the Gauge, seven rose, three fell and 26 remained unchanged in March.
- The Gauge was up 0.2% on a seasonally adjusted basis.

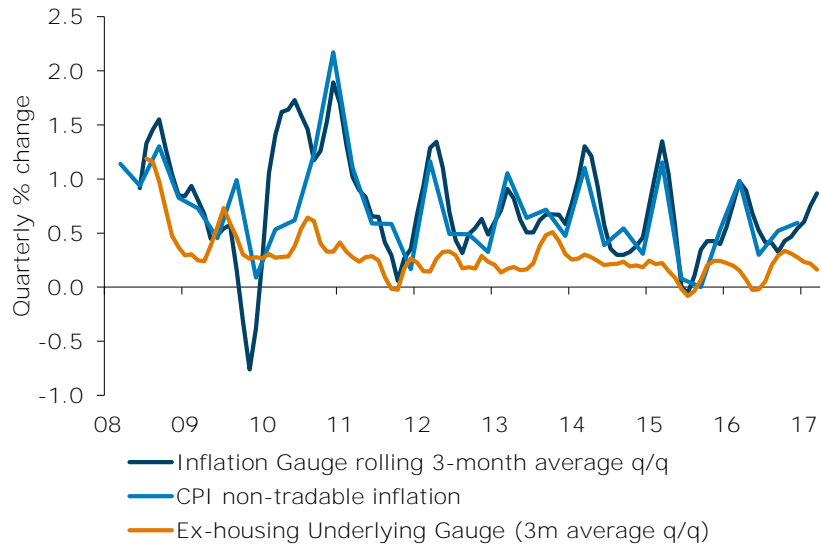
The Gauge suggests that broad-based inflation may be a while off yet despite a maturing business cycle and capacity pressures putting more strain on activity. Construction cost pressures remain extreme, but evidence of price pressure spill overs from the sector are yet to be seen. Firms report that they intend to raise prices, but they have cried wolf before.

The Gauge points to no smoking gun in next week's non-tradable CPI inflation figures (beyond obvious hot spots such as housing) **to alter the RBNZ's cautious stance.**

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.

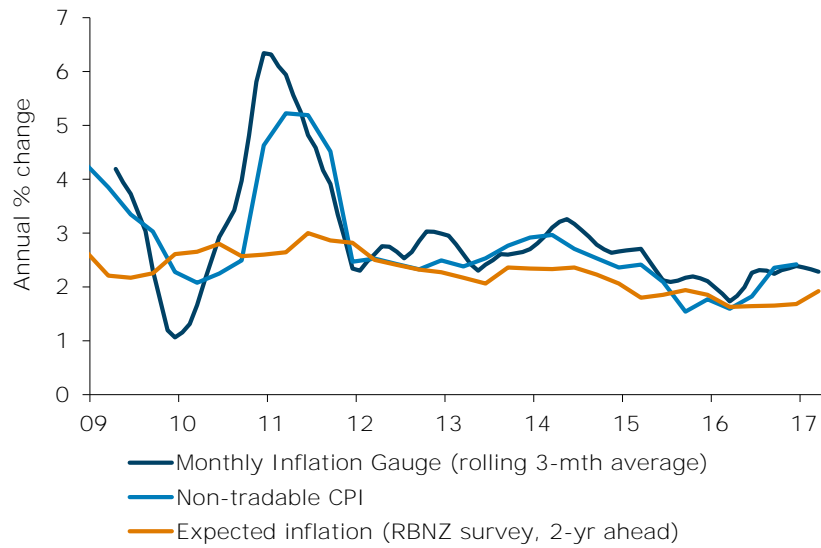
ANZ MONTHLY INFLATION GAUGE

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%)
Nov-15	1262	0.2		
Dec-15	1264	0.2	0.4	0.5
Jan-16	1271	0.6		
Feb-16	1275	0.3		
Mar-16	1277	0.2	1.0	1.0
Apr-16	1279	0.2		
May-16	1280	0.1		
Jun-16	1284	0.3	0.5	0.3
Jul-16	1283	-0.1		
Aug-16	1285	0.2		
Sep-16	1288	0.2	0.3	0.5
Oct-16	1291	0.2		
Nov-16	1291	0.0		
Dec-16	1295	0.3	0.5	0.6
Jan-17	1301	0.5		
Feb-17	1303	0.2		
Mar-17	1306	0.2	0.9	

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