

# NEW ZEALAND ECONOMICS

## ANZ MONTHLY INFLATION GAUGE

November 2016

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### SUMMARY

- Prices from the Gauge rose 0.2% in October<sup>1</sup> and are up 2.3% y/y.
- Rents made the largest contribution.
- Inflation is coming off a low base but more groups are starting to show a positive contribution.

### SHAKEN NOT STIRRED

**Prices from the Gauge lifted 0.2% in October.** Rents made the largest upward contribution. Pressure from the 'purchase of housing' group – which has been a driving force – waned. Whether the latter is the sign of a turning point remains to be seen. We suspect not. Other positive contributors included medical services, electricity, health insurance, accommodation, rail passenger transport and cultural services.

**We are starting to detect more subtle action, albeit off (and sometimes still at) a low base.**

- The seasonally adjusted series was also up 0.2% in the month. The last 6 months have seen moves of 0.3%, 0.4%, -0.3% (driven by lower licensing fees), 0.3%, 0.3% and 0.2%. **That's a solid string** of data if we look through the one negative blip.
- The Underlying Ex-housing Gauge rose 0.1% in the month. **That's** sombre, though the quarterly rise (3m/3m) was the biggest gain in three years (see the clear uptick in the orange line in the chart below). The rate is still subdued but the uplift is clear.
- Pressure on housing and household utility prices are still fuelling the gauge. Despite the monthly fall in 'purchase of housing', pressure within the sector is evident with rents up 0.8% after a quiet few months. Electricity prices are up for the seventh consecutive month.
- We are starting to see some broad-based movement across the health, recreational and miscellaneous groups.
- Of the 36 main series feeding into the 8 key groups, 24 were unchanged, while 8 were up and 4 were down.

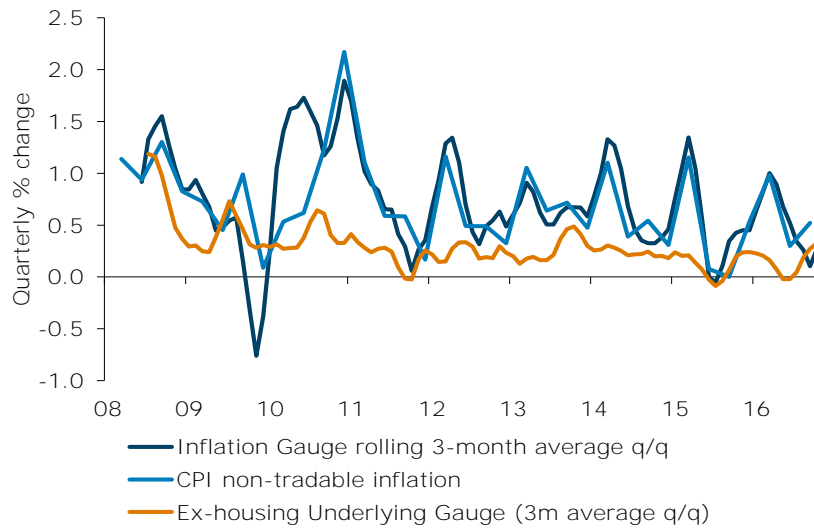
**Annual inflation (3-month average) from the Gauge lifted 0.1 percentage points to 2.2%.** While that's still demure, the underlying gauge is showing signs of starting to move, albeit off an anaemic starting point.

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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.

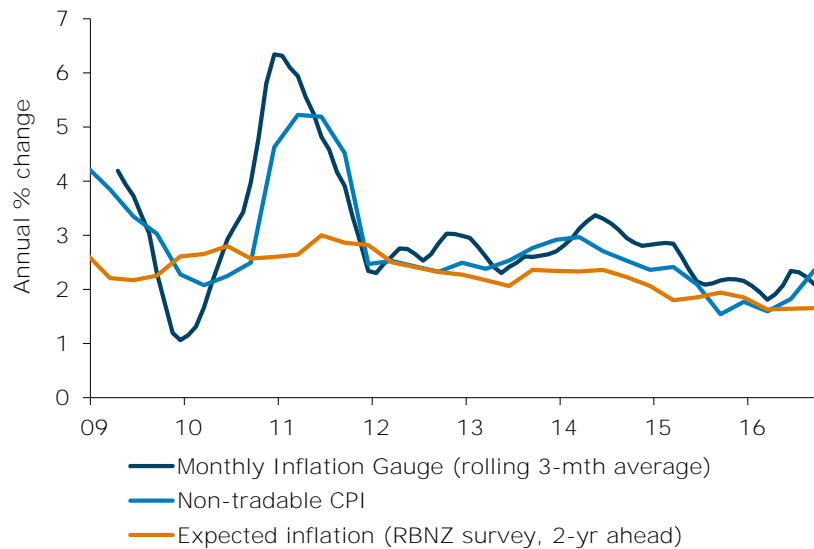
# ANZ MONTHLY INFLATION GAUGE

**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%)
Jun-15	1255	0.1	0.0	0.1
Jul-15	1257	0.2		
Aug-15	1259	0.2		
Sep-15	1261	0.2	0.3	0.0
Oct-15	1262	0.1		
Nov-15	1265	0.2		
Dec-15	1267	0.2	0.5	0.5
Jan-16	1274	0.6		
Feb-16	1278	0.3		
Mar-16	1280	0.2	1.0	1.0
Apr-16	1282	0.2		
May-16	1283	0.1		
Jun-16	1287	0.3	0.5	0.3
Jul-16	1283	-0.3		
Aug-16	1285	0.1		
Sep-16	1288	0.2	0.1	0.5
Oct-16	1291	0.2		

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