

NEW ZEALAND ECONOMICS

ANZ TRUCKOMETER

8 November 2016

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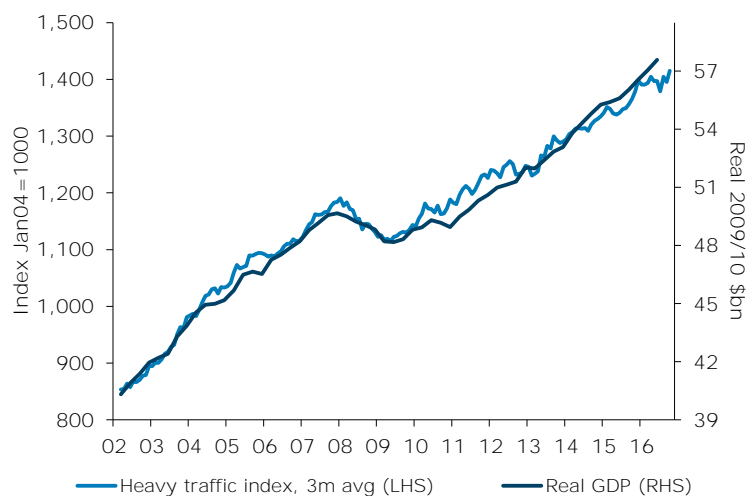
The next issue of the ANZ *Truckometer* is scheduled for release on 6 December 2016 at 10am.

TOPPING THE RISE?

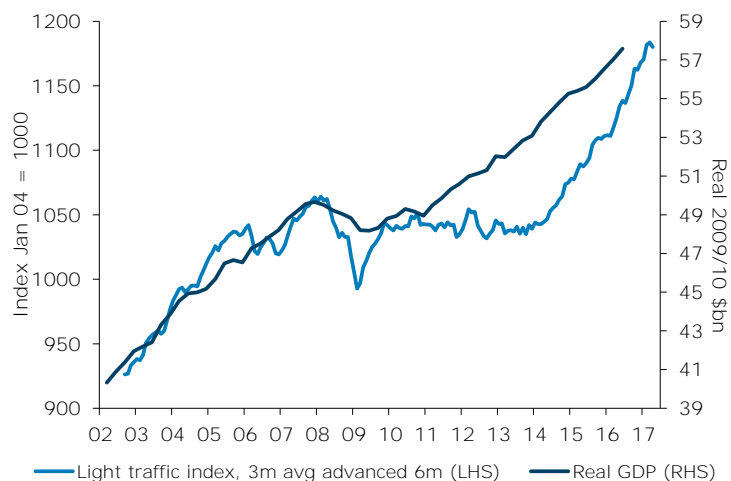
KEY POINTS

- **The ANZ Heavy Traffic Index eased 0.2% in October**, though the smoothed 3-month average remains positive, lifting 1.4%. The index continues to trend upward but at a slower rate than earlier in the year. **The Light Traffic Index fell 2.0% in the month** (3-month average: -0.3%). It certainly deserves a breather after a phenomenal run, but it's worth noting this is the largest monthly fall since mid-2012.
- **It is notable that the Heavy Traffic Index is trucking along, but the Light Traffic Index, which leads the economy by six months, had a broad-based fall.** Given the speed limits being imposed on the New Zealand economy, most obviously in the forms of difficulty finding labour and tightening availability of credit, it would not be at all surprising to see growth moderate over the next six months. This wouldn't necessarily be a bad thing. In fact it's desirable if a boom/bust cycle is to be avoided.

GDP AND THE ANZ HEAVY TRAFFIC INDEX 3-MONTH AVERAGE



GDP AND THE ANZ LIGHT TRAFFIC INDEX 3-MONTH AVERAGE

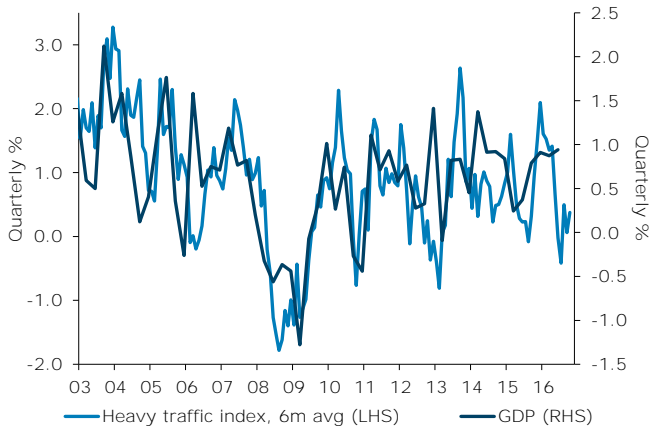


Source: ANZ, NZ Transport Agency, Statistics NZ

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The ANZ Heavy Traffic Index eased 0.2% in the month of October (seasonally adjusted – sa) after a 2.4% fall in September. It has been undershooting GDP growth this year, so at this stage we are not reading too much into the fact it has flattened out.

FIGURE 1. ANZ HEAVY TRAFFIC INDEX AND GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

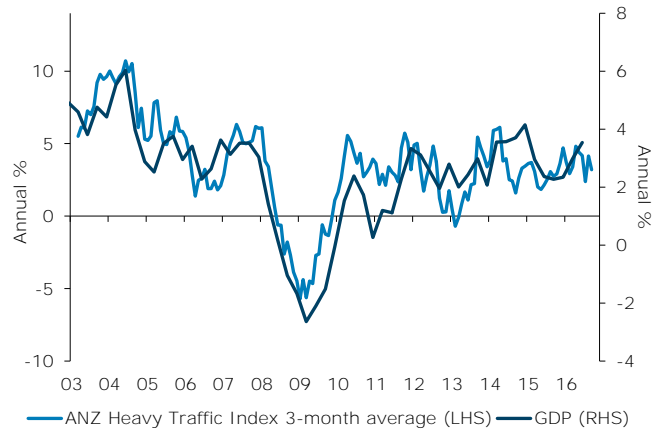
Annual growth in the Heavy Traffic Index (3-month average) is running at 3.6% (figure 2). It has been fairly steady around this kind of growth rate over the past 18 months.

The Light Traffic Index gives a 6-month lead on the economy and is best interpreted as a measure of momentum. **It fell 2.0% in October (sa).** The recent very strong upward trend in the index (see figure page 1) is a reflection of strong population growth, solid growth in services sector activity and tourism, and a confident consumer. It suggests the recent acceleration in economic momentum will continue into next year (figure 3). That said, while we do not want to read too much into one month of data, the large fall in October is perhaps a sign that momentum is not far from peaking.

The New Zealand economy is enjoying a strong run. However, it is bumping up against capacity constraints (particularly in the construction sector) in the form of both labour and credit availability. It would therefore not be at all surprising (or alarming) to see the dataflow start to soften a tad from here. The Light Traffic Index has the longest lead on economic activity of any of our indicators. We will **therefore be watching for any signs that we've passed the peak of the economic cycle.**

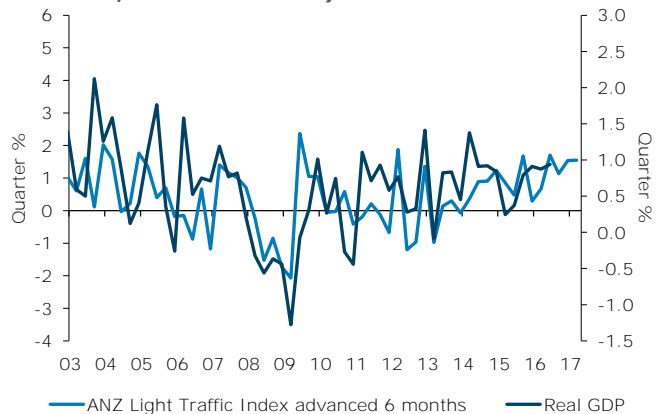
The economy is in pretty good structural shape, with the exception of stretched house prices. The Reserve Bank restrictions are starting to bite there, and barring a sideswipe from offshore, the portents are good for a solid extended run of growth.

FIGURE 2. ANZ HEAVY TRAFFIC INDEX AND ANNUAL GDP GROWTH



Source: ANZ, NZ Transport Agency, Statistics NZ

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



Source: ANZ, NZ Transport Agency, Statistics NZ

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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.

In October, traffic flows lifted on only 2 of 11 roads in the Heavy Traffic Index, and fell on all 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
Oct-15	1134	0.2	0.6	1384	1.3	0.7
Nov-15	1135	0.1	0.8	1386	0.1	0.9
Dec-15	1145	0.9	0.4	1424	2.7	1.4
Jan-16	1129	-1.4	-0.2	1363	-4.2	-0.5
Feb-16	1156	2.3	0.6	1386	1.7	0.0
Mar-16	1166	0.9	0.6	1432	3.3	0.2
Apr-16	1169	0.3	1.1	1396	-2.5	0.8
May-16	1153	-1.4	-0.1	1363	-2.4	-0.5
Jun-16	1183	2.6	0.5	1433	5.1	0.0
Jul-16	1176	-0.6	0.2	1342	-6.3	-1.3
Aug-16	1186	0.9	1.0	1439	7.3	1.9
Sep-16	1189	0.2	0.2	1404	-2.4	-0.7
Oct-16	1165	-2.0	-0.3	1401	-0.2	1.4

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

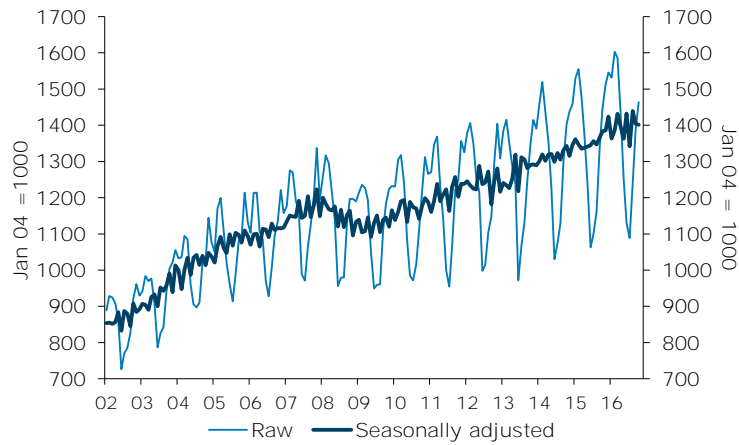
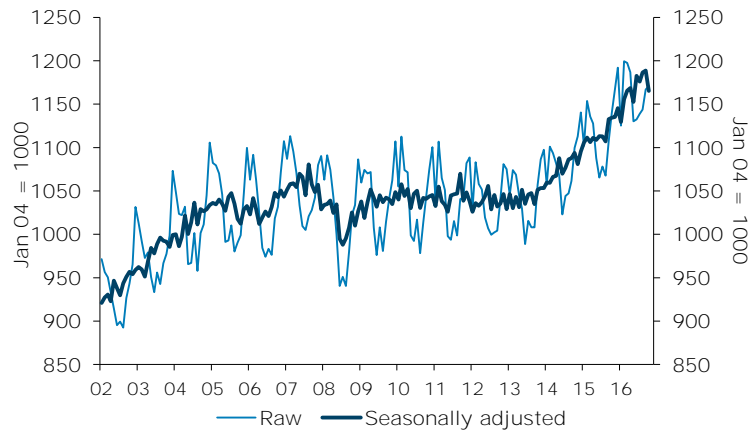


FIGURE 5. ANZ LIGHT TRAFFIC INDEX: RAW VS. SA



Source: ANZ, NZ Transport Agency

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