

ANZ NZ Monthly Inflation Gauge

10 April 2019



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The next issue of the ANZ
Monthly Inflation Gauge is
scheduled for release on
9 May 2019 at 1pm.

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Last gasp

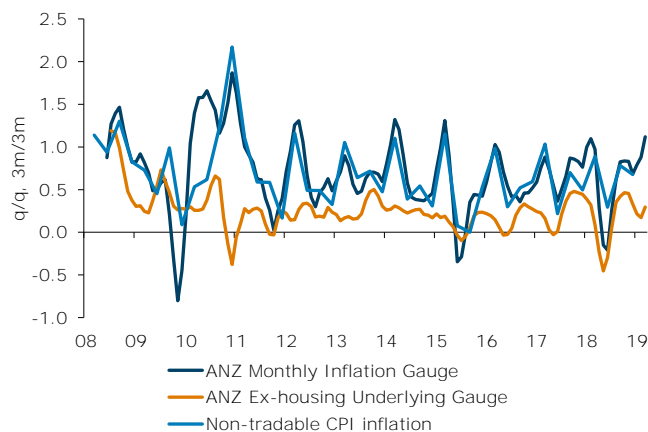
Summary

The ANZ Monthly Inflation Gauge decreased 0.1% m/m in March, taking the quarterly increase to 1.1% for Q1.¹ The strong quarterly print was supported by regulated tobacco price increases, stronger housing-related costs, and higher domestic airfares. Annual inflation increased to 2.4% from 2.2%.

Key points

- The ANZ Monthly Inflation Gauge dipped 0.1% m/m in March, but strength in the early months of the year took the quarterly increase to 1.1% for Q1. The Gauge has given a very accurate read on non-tradable inflation in the last two CPI prints (figure 1).
- Overall, 10 of the 36 subcomponents rose in March, while 6 subcomponents fell. Housing-related prices were strong in the month, with rents, purchase of housing, and property maintenance services among the top contributors. On the downside, telecommunications and accommodation services were a drag.
- On a quarterly basis, strength was driven by prices for tobacco and cigarettes, rents, domestic airfares, and medical services. The regulated increase in tobacco products in Q1 contributed around half the quarterly print (0.52%pts), while domestic air transport contributed 0.12%pts. Airfare prices have been volatile, and strength in Q1 comes after a sharp drop in the December month. As a result, the increase in airfare prices in the Gauge was stronger than usual for a March quarter.
- Annual growth rose to 2.4%, towards a level more consistent with Statistics NZ's annual non-tradable numbers. Excluding housing-related prices, the Gauge fell 0.2% m/m, pushing annual growth up to 0.8% from 0.5%.
- Waning momentum in the economy means inflation pressures will soon fade. However, we could see some further strength in annual non-tradable inflation in the short term as a result of the previous build-up in capacity pressures.

Figure 1. Quarterly inflation measures



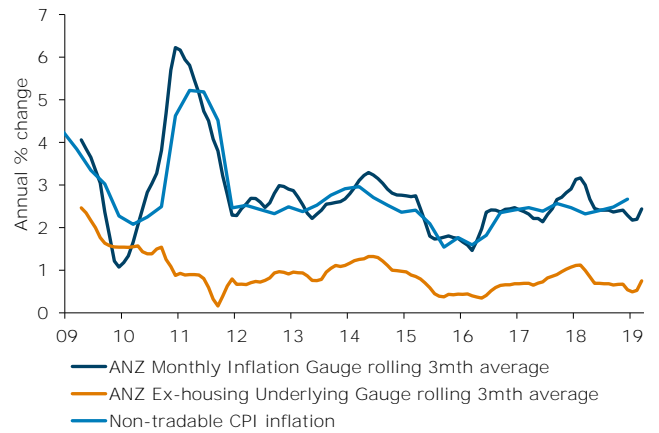
Source: ANZ Research, Statistics NZ

¹ Data is subject to revision. All quarterly and annual movements are on a 3-month average basis unless otherwise stated.



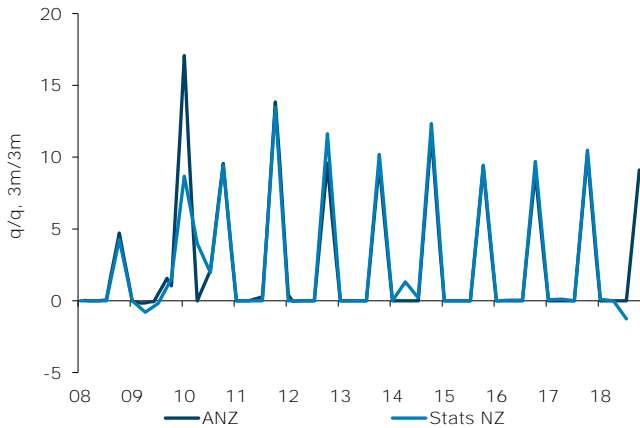
	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Oct-17	1319	0.2		
Nov-17	1321	0.2		
Dec-17	1327	0.4	0.8	0.5
Jan-18	1338	0.9		
Feb-18	1335	-0.2		
Mar-18	1332	-0.2	1.0	0.9
Apr-18	1330	-0.2		
May-18	1332	0.1		
Jun-18	1335	0.3	-0.2	0.3
Jul-18	1341	0.4		
Aug-18	1343	0.2		
Sep-18	1347	0.3	0.8	0.8
Oct-18	1352	0.4		
Nov-18	1354	0.2		
Dec-18	1352	-0.1	0.7	0.7
Jan-19	1367	1.1		
Feb-19	1368	0.1		
Mar-19	1368	-0.1	1.1	

Figure 2. Annual inflation measures



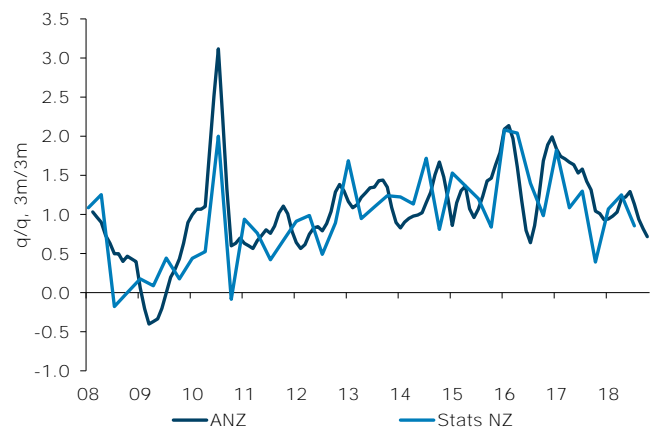
Source: ANZ Research, Statistics NZ

Figure 3. Tobacco and cigarettes



Source: ANZ Research, Statistics NZ

Figure 4. Purchase of housing



Source: ANZ Research



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