

## ANZ MONTHLY INFLATION GAUGE

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### CONTACT

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### SUMMARY

- Prices in the Gauge lifted 0.8% m/m in January (3.1% y/y)<sup>1</sup>, the highest monthly rise in three years.
- Indirect taxes on tobacco and cigarettes (up 10.2% m/m) accounted for three quarters of the rise. Removing these from the Gauge leaves a still-benign inflationary impulse (0.2% m/m).
- The Underlying Ex-housing Gauge rose 0.1% m/m to be up 1.3% y/y.

### UP IN SMOKE

#### Prices in the ANZ Monthly Inflation Gauge lifted 0.8% m/m in January.

At first blush this looks like a hint of inflationary momentum: the 0.8% m/m rise is the strongest in three years, quarterly growth is close to a three-year high (1.1%) and annual growth hasn't been this high since mid-2014. However, removing one-offs (tobacco and cigarettes) and housing from the Gauge leaves a scattering of rising and falling prices that largely offset each other.

#### Tobacco and cigarettes made by far the strongest contribution this month, up 10.2% m/m and accounting for three quarters of the overall lift.

Domestic air transport came in second with a seasonal 10% m/m rise, while housing rents squeezed higher (0.5% m/m). A seasonal fall in accommodation (down 0.7% m/m) and the first drop in purchase of housing since late 2016 were the main offsets. Of the 36 subcomponents in the Gauge, 14 rose, 4 fell and 18 remained unchanged.

**The path of inflation from here is far from clear.** Although one-offs played a big part, this month's Gauge gives us reason to keep a close watch for whether momentum continues through the rest of Q1. It'll be a tough grind with a wobbly economic growth outlook in the near term, but we do see a degree of upside risk to wages and thus firms' costs.

**Figure 1: Annual ANZ inflation gauges and non-tradable inflation**

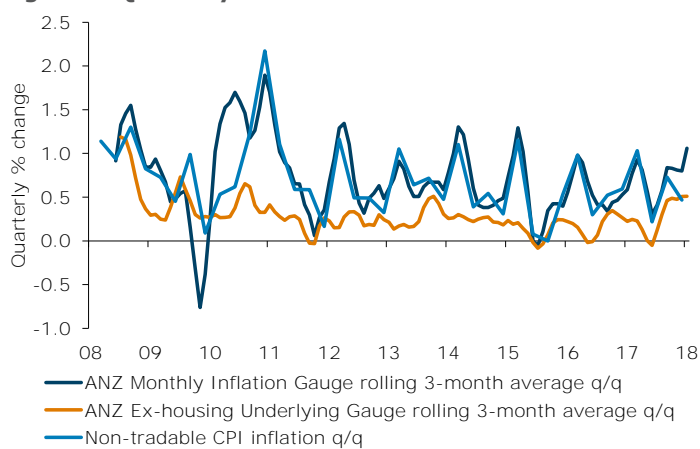


Source: ANZ Research, Statistics NZ

<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. All annual movements (y/y) are on a rolling 3 month average basis unless otherwise stated.

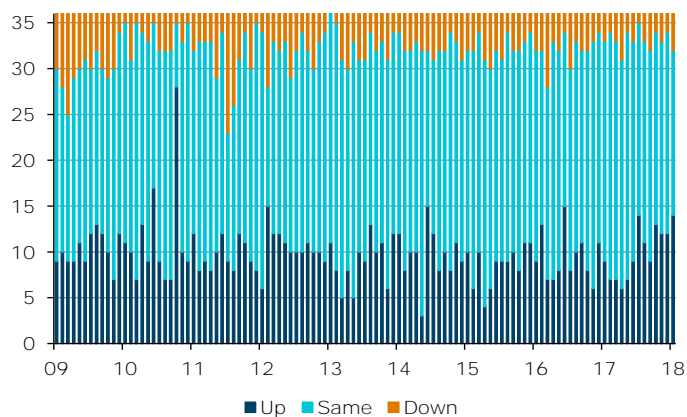
# ANZ MONTHLY INFLATION GAUGE

**Figure 2: Quarterly inflation measures**



Source: ANZ Research, Statistics NZ

**Figure 3: Price moves by direction**



Source: ANZ Research

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
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	1304	0.3		
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	1316	0.5		
Aug-17	1319	0.2		
Sep-17	1323	0.3	0.8	0.7
Oct-17	1325	0.2		
Nov-17	1328	0.2		
Dec-17	1335	0.5	0.8	0.5
Jan-18	1345	0.8		

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