

## ANZ MONTHLY INFLATION GAUGE

November 2017

## CONTACT

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- Prices in the Gauge lifted 0.2% m/m in October and are up 2.7% y/y.<sup>1</sup>
- The Underlying Ex-housing Gauge increased 0.2% in the month and is up 1.0% y/y. That's still low, but is the highest in three years.
- We can see some inflation murmurings, but it's patchy and hard to draw any firm conclusions.

**MURMURINGS**

**Prices in the Gauge lifted 0.2% m/m in October**, which is a typical-sized lift for this time of year. The annual movement remained steady at 2.7%. The Underlying Ex-housing Gauge once again rose 0.2% m/m.

**The transport group made the strongest contribution this month, dominated by a seasonal lift in domestic air transport.** A smattering of increases were also apparent across the recreational and cultural group.

**Housing-related inflation was more subdued.** Purchase of housing, property maintenance and electricity eked out small gains, while rents dragged the overall housing group back to be basically flat. Rents have more or less been hovering within a range and do not support the notion of a massive housing shortage.

**Of the 36 subcomponents in the Gauge, 14 rose, one fell and 21 remained unchanged.** More of the subcomponents are seeing price rises relative to a few months ago.

**In seasonally adjusted terms, the headline Gauge and the Underlying Ex-housing Gauge both lifted 0.2% m/m.** The non-housing groups did the heavy lifting in October. The 0.2% lift in the ex-housing gauge is the third such lift in six months, with the quarterly movement in this gauge now up 0.5%. That is the strongest increase since October 2013. That implies a murmuring of broadening price pressures, although 0.5% is hardly something to get overly excited about just yet.

**There is still a lot of uncertainty about the path of aggregate inflation.**

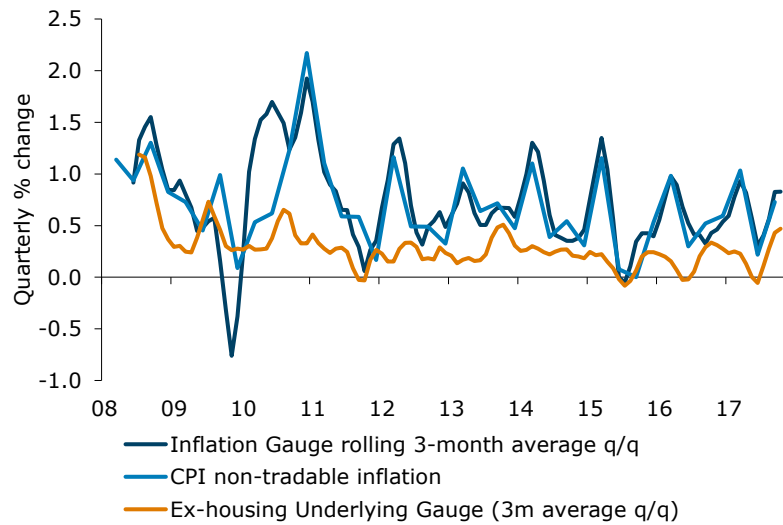
**We continue to eye movement at the subcomponent level of our gauge.** There are indeed more increases than a few months ago, but it's hardly a defining trend or strong undercurrent at this stage.

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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. 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.

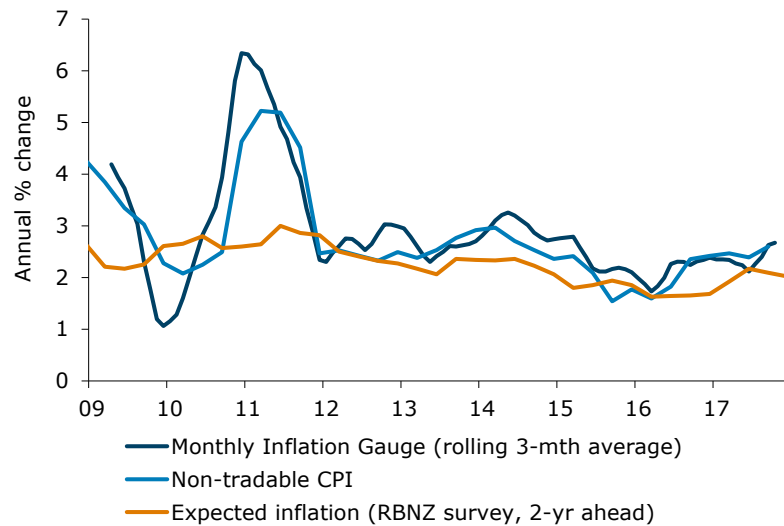
# ANZ MONTHLY INFLATION GAUGE

**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-16	1285	0.3	0.5	0.3
Jul-16	1284	-0.1		
Aug-16	1286	0.2		
Sep-16	1289	0.2	0.3	0.5
Oct-16	1292	0.2		
Nov-16	1292	0.0		
Dec-16	1296	0.3	0.5	0.6
Jan-17	1302	0.5		
Feb-17	1305	0.3		
Mar-17	1308	0.2	0.9	1.0
Apr-17	1307	-0.1		
May-17	1309	0.2		
Jun-17	1311	0.1	0.3	0.2
Jul-17	1317	0.4		
Aug-17	1320	0.2		
Sep-17	1324	0.3	0.8	0.7
Oct-17	1326	0.2		

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