



# New Zealand inflation chart pack

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**Satish Ranchhod**

[satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

[westpac.co.nz/economics](https://westpac.co.nz/economics)

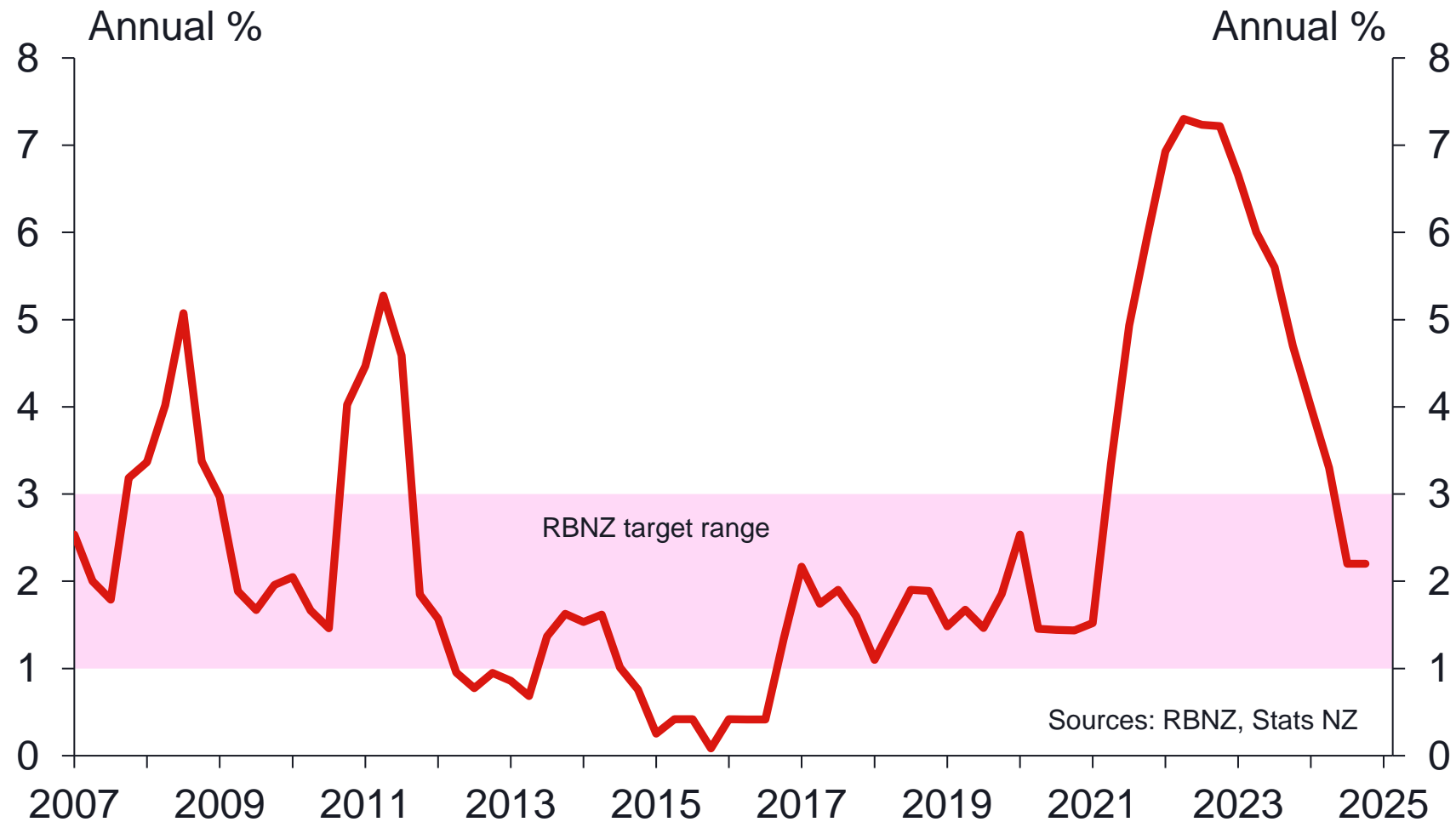
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# The inflation dragon is now (comfortably) back in its cave.

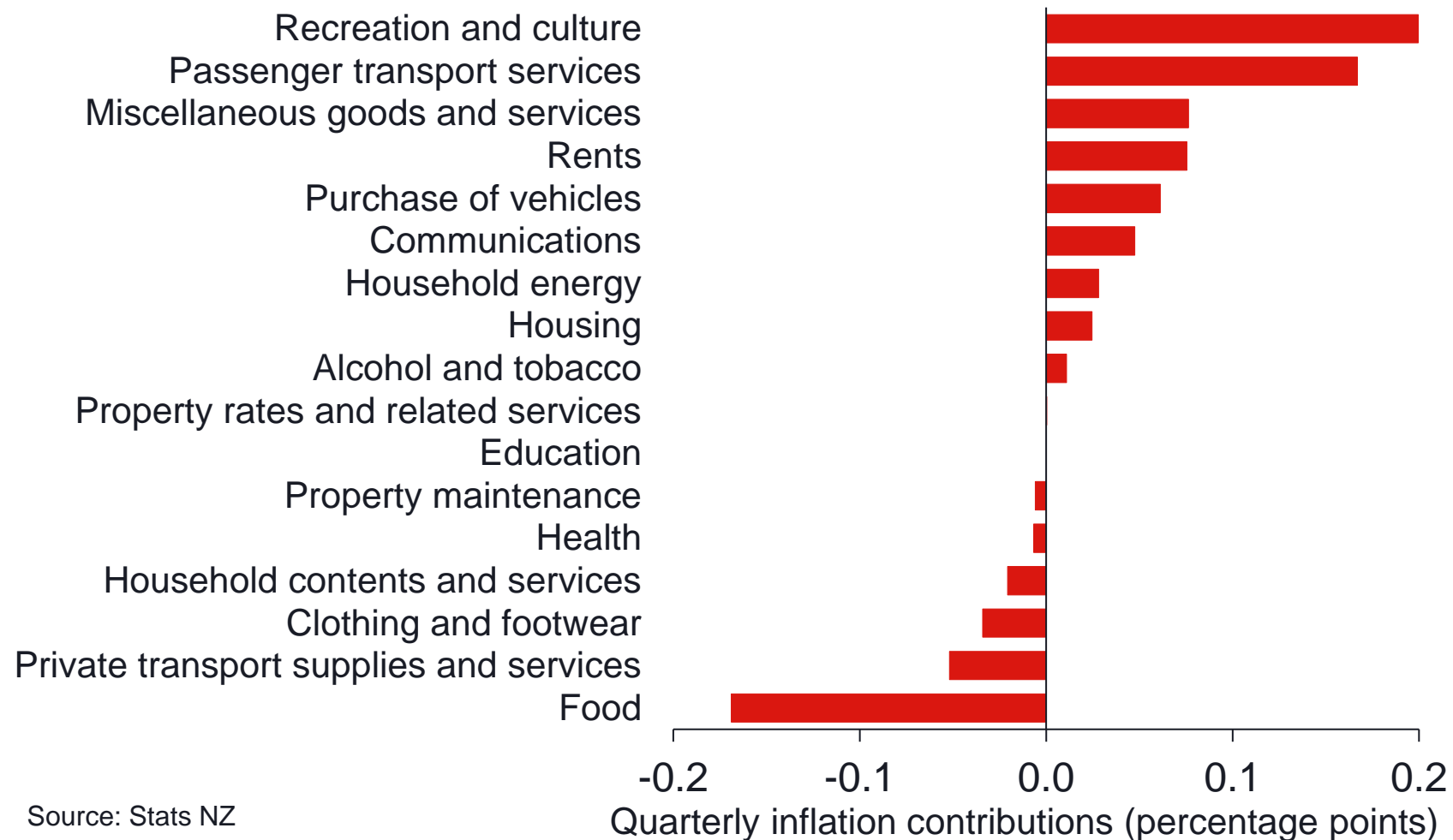
Inflation remained at 2.2% in the December quarter, with both core and domestic inflation continuing to ease. With softness in domestic activity in recent months, that well-contained inflation outlook is a green light for the RBNZ to deliver another 50bp cut in February.

- Consumer prices rose 0.5% in the December quarter. That saw the annual inflation rate remaining unchanged at 2.2%.
- The December quarter inflation result was in line with our forecast and just slightly above the RBNZ's last published forecast (which was finalised back in November).
- Importantly, measures of core inflation (which track the underlying trend in consumer prices) have continued to trend down towards the RBNZ's target range.
- Domestic inflation (non-tradables) has also been gradually dropping back.
- Imported inflation (tradables) remains low, but won't be as big of a drag on inflation in 2025 as it was over the past year.
- Our full discussion of the December quarter inflation result is available [here](#).

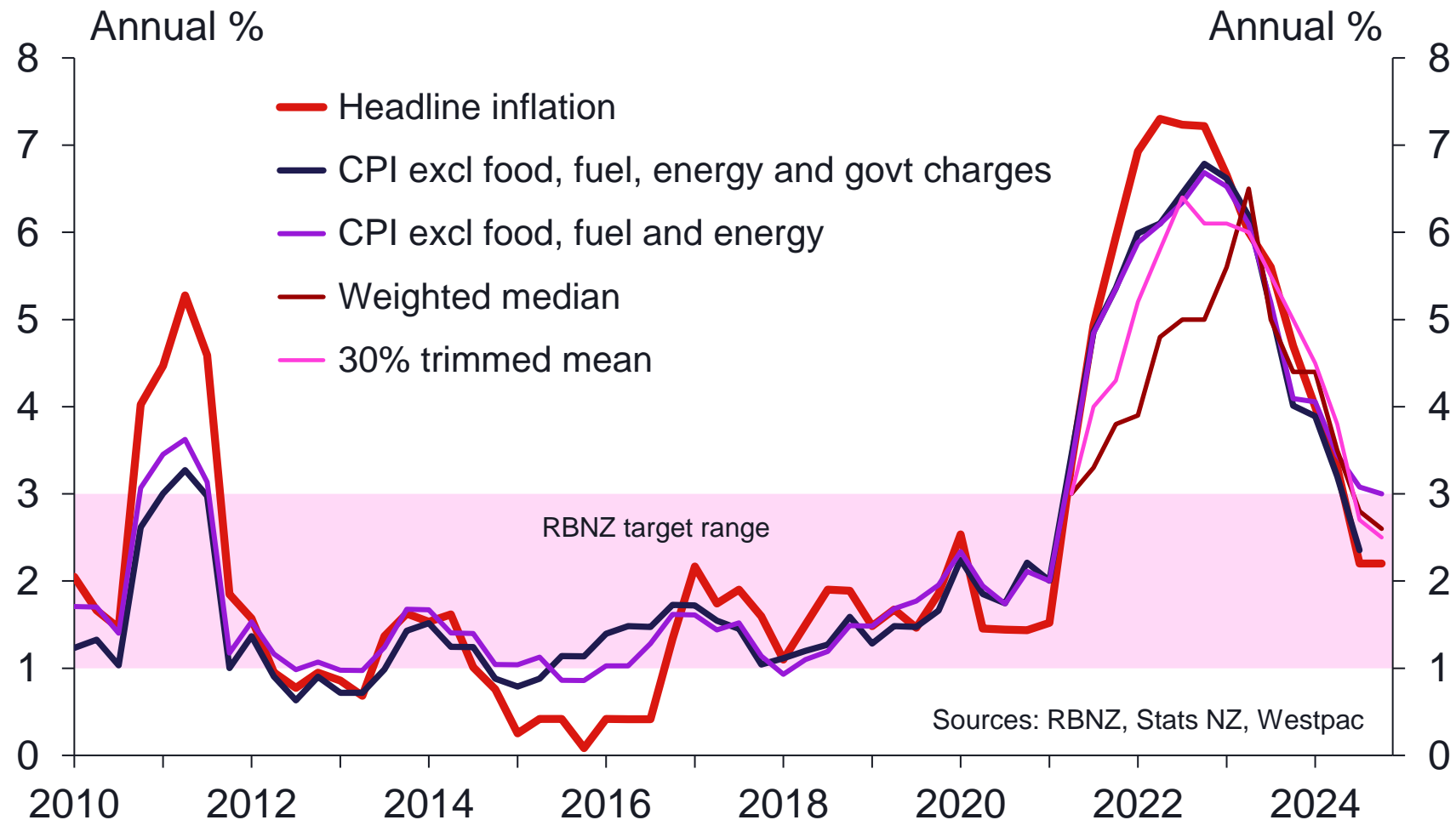
# Annual inflation remained at 2.2% in the December quarter, close to RBNZ and market forecasts.



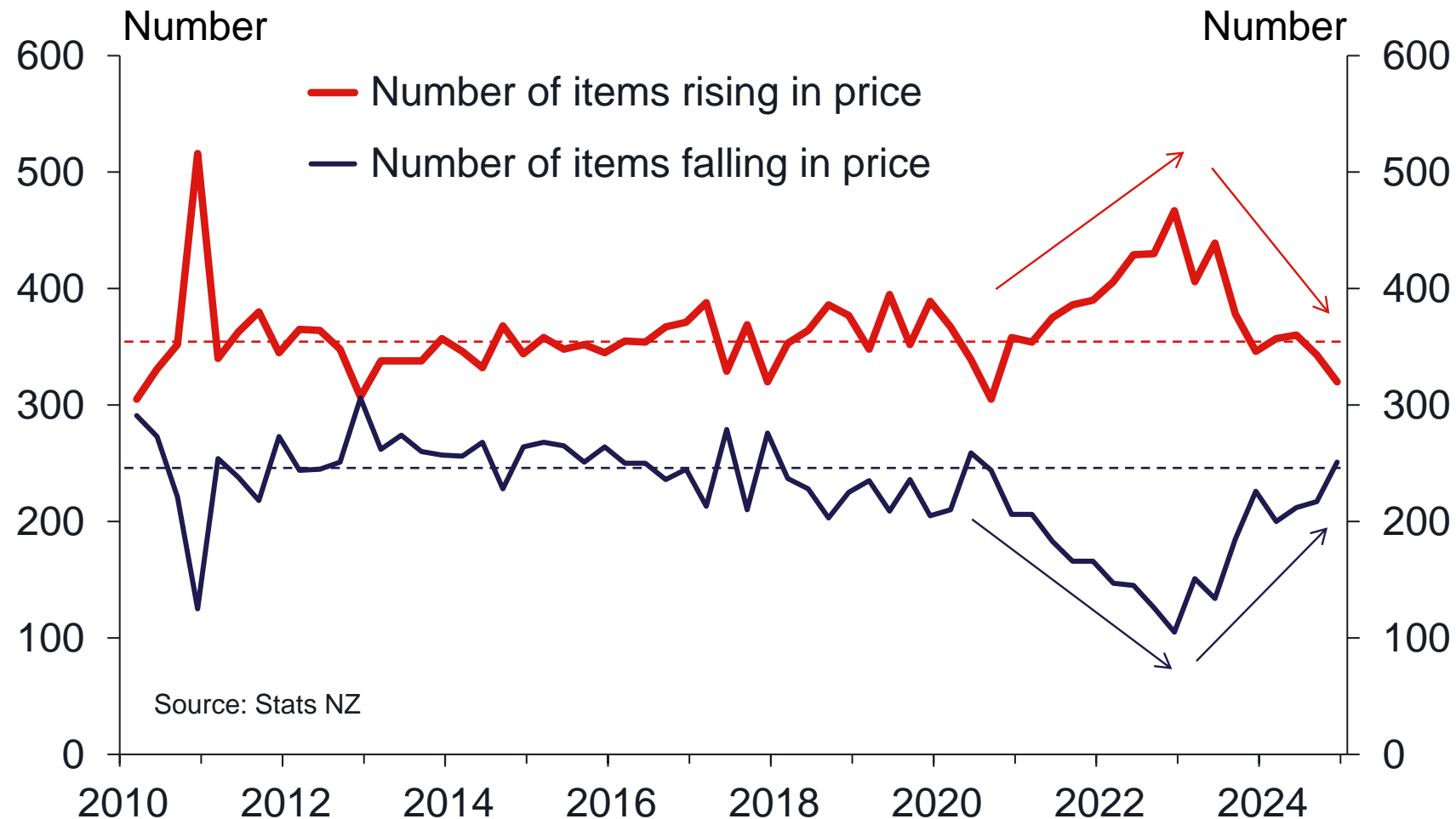
# The December quarter saw seasonal increases in travel costs, and a seasonal fall in fresh food prices.



# Measures of underlying inflation have trended back to the RBNZ's target band.



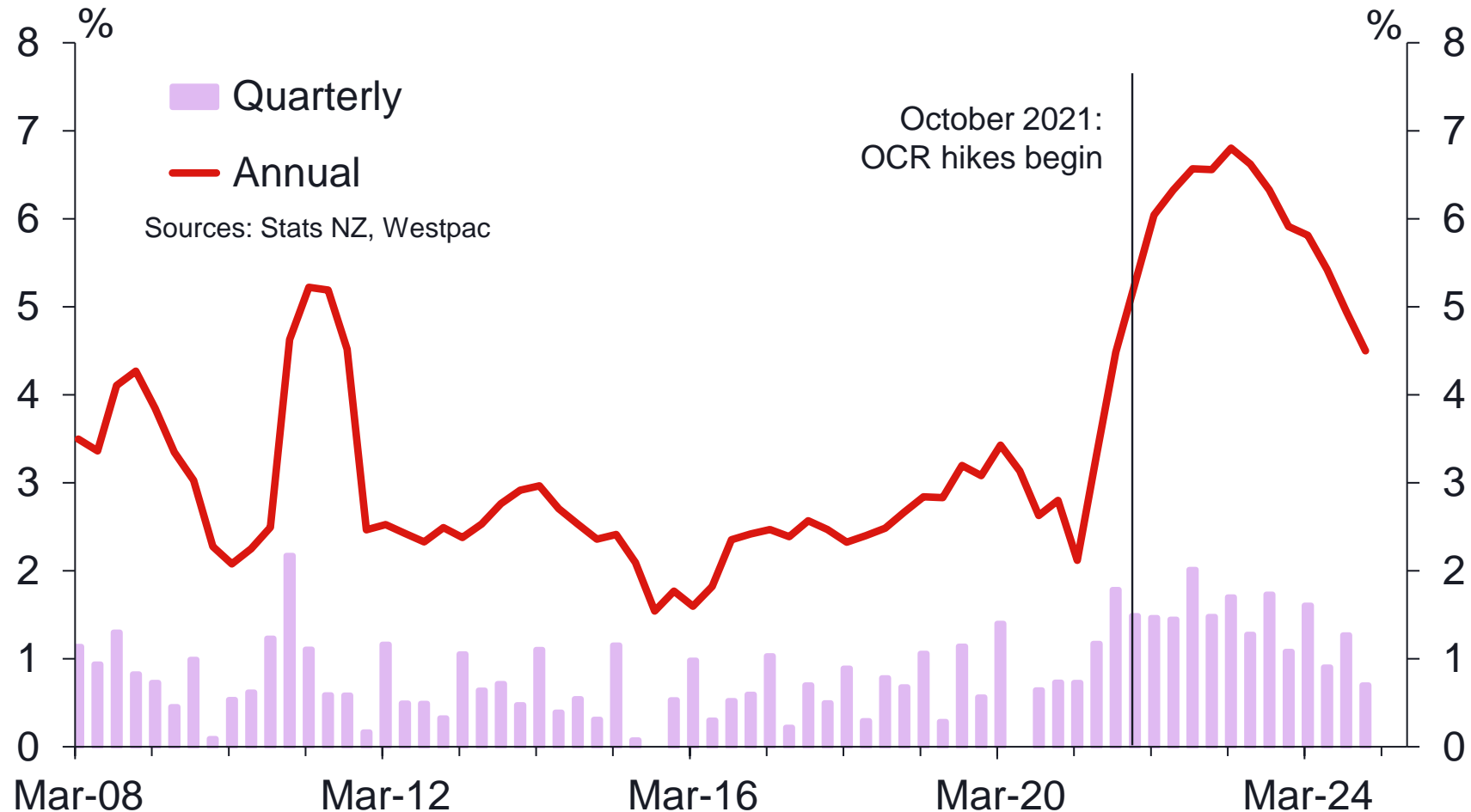
# Distribution of price changes – pricing behaviour has normalised





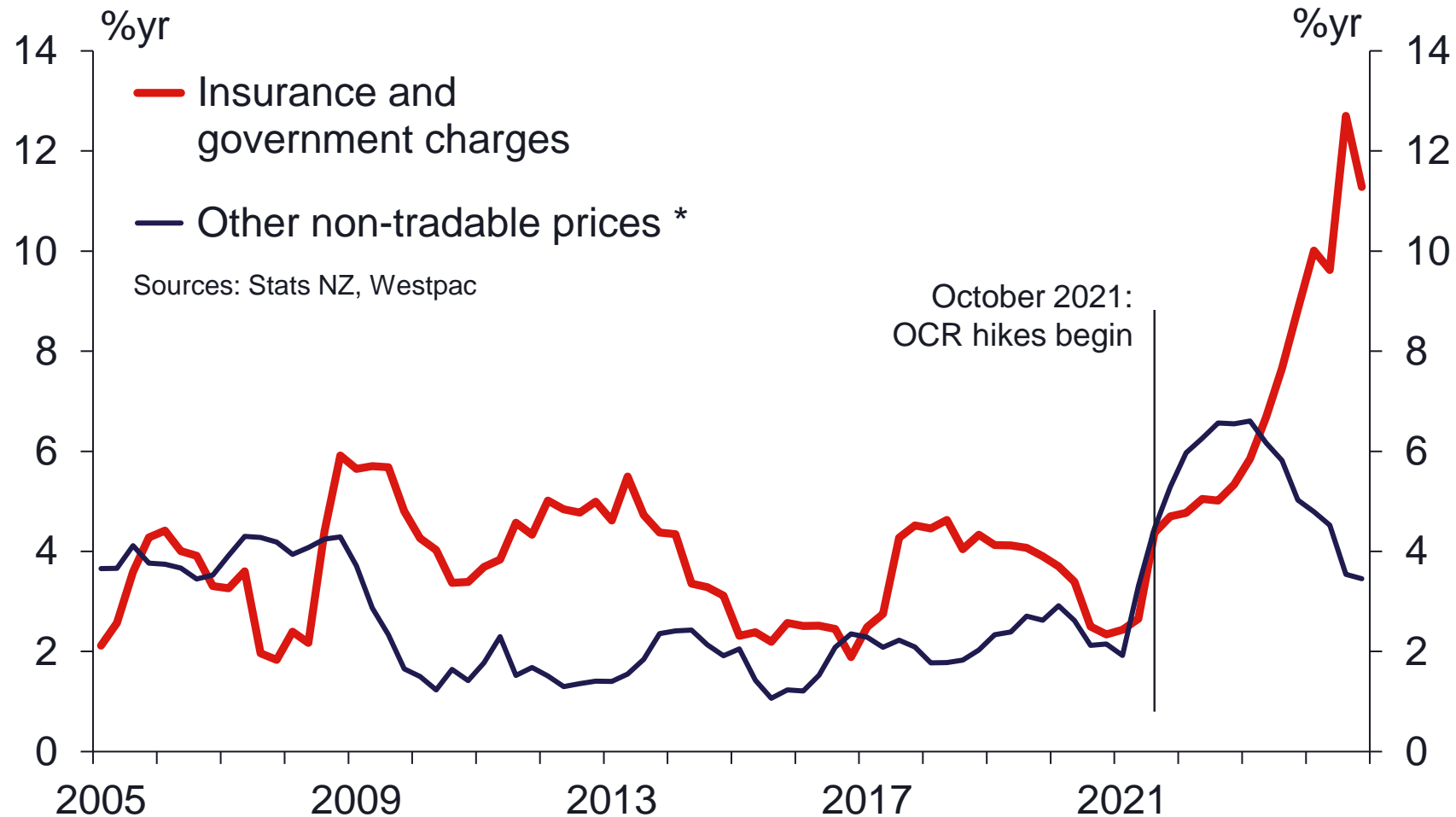
# Non-tradables inflation

# Domestic (non-tradables) inflation is continuing to trend down, but it is still elevated...



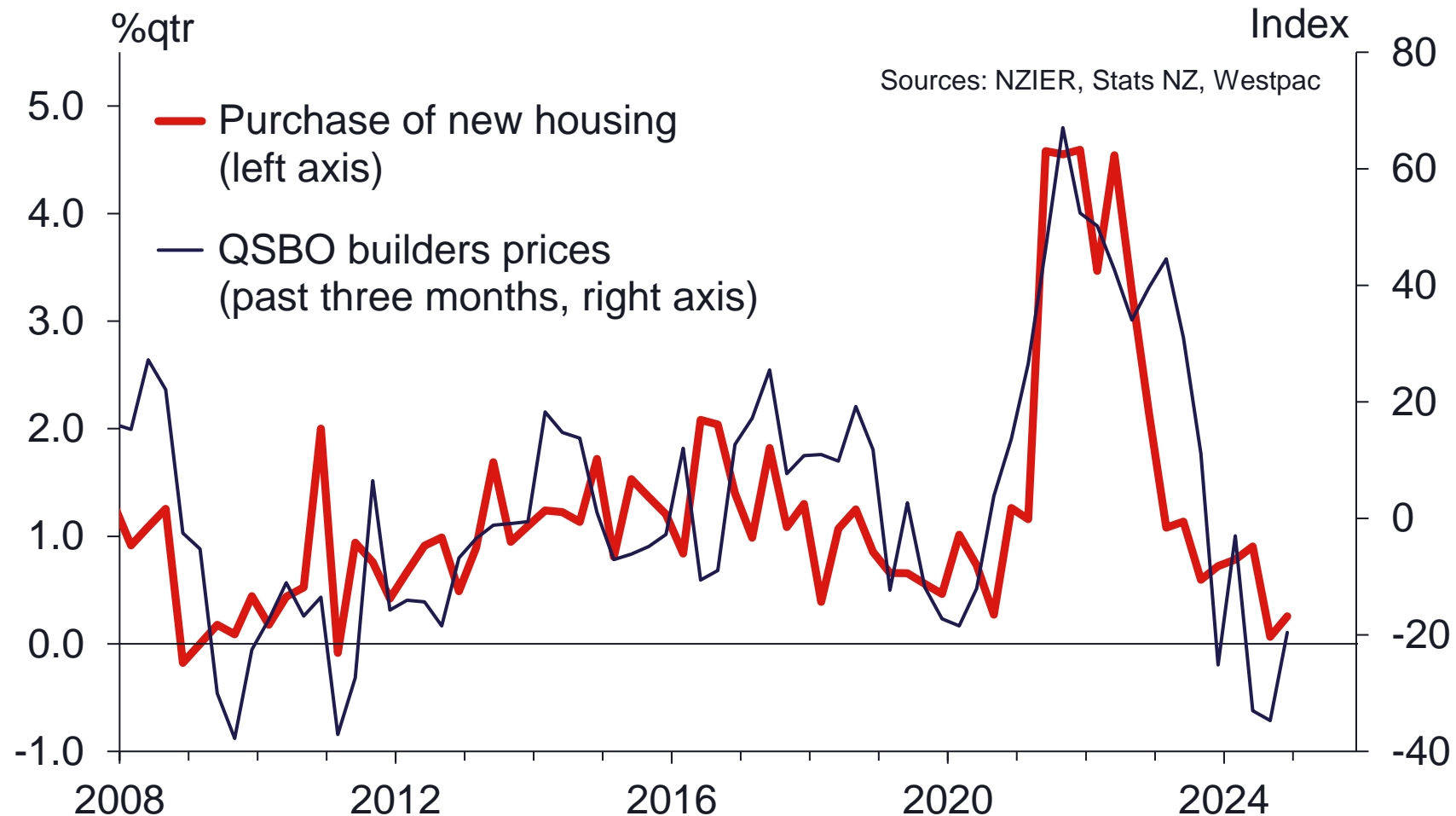


**...however the strength in domestic inflation is mainly due to rates and insurance. Other domestic price pressures are easing.**

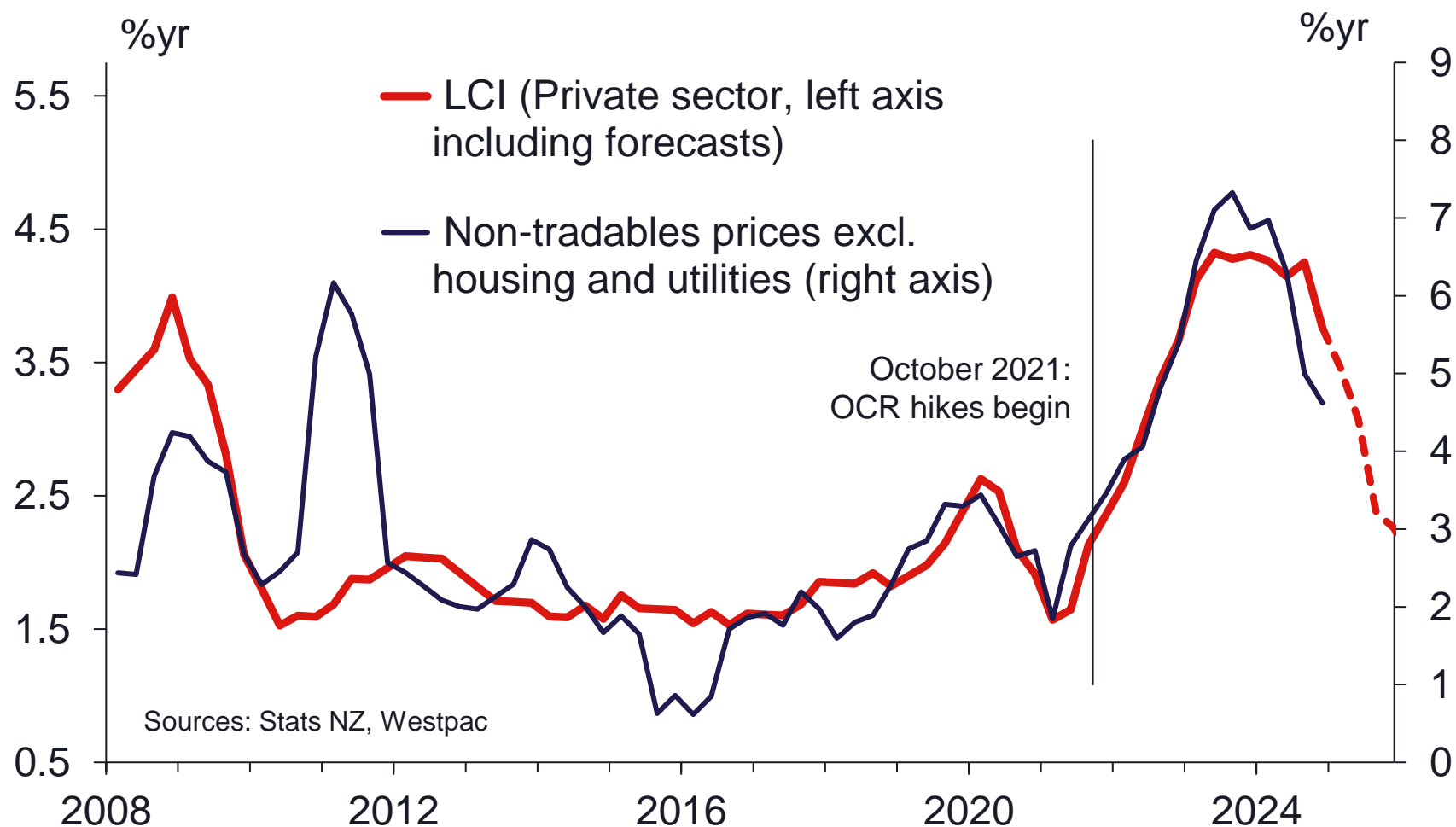


\* Excluding tobacco and alcohol.

# Construction cost inflation is very muted, consistent with the weakness in the building sector.



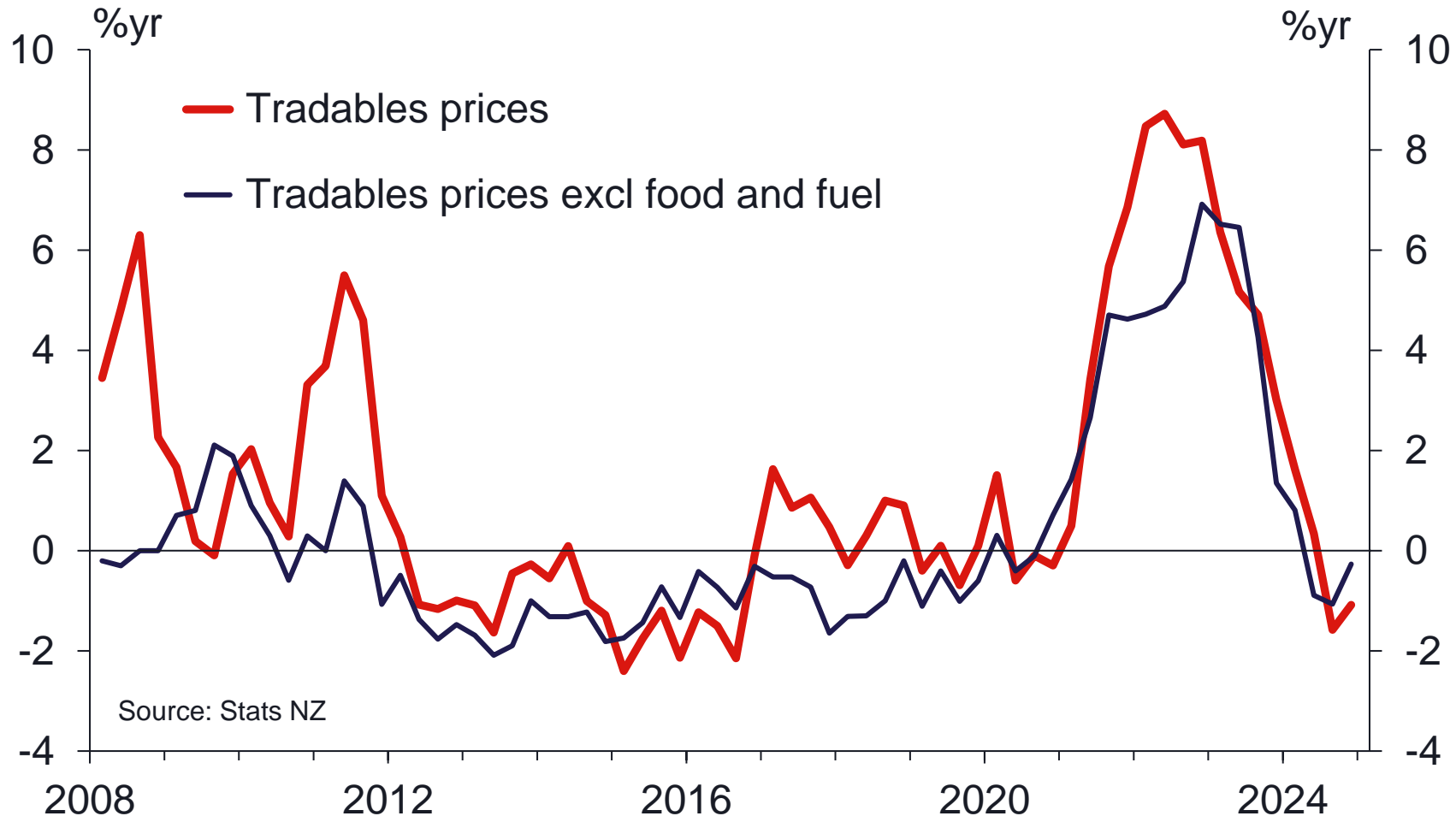
# Service sector inflation continues to ease, consistent with high interest rates in recent years and the softness in the labour market.



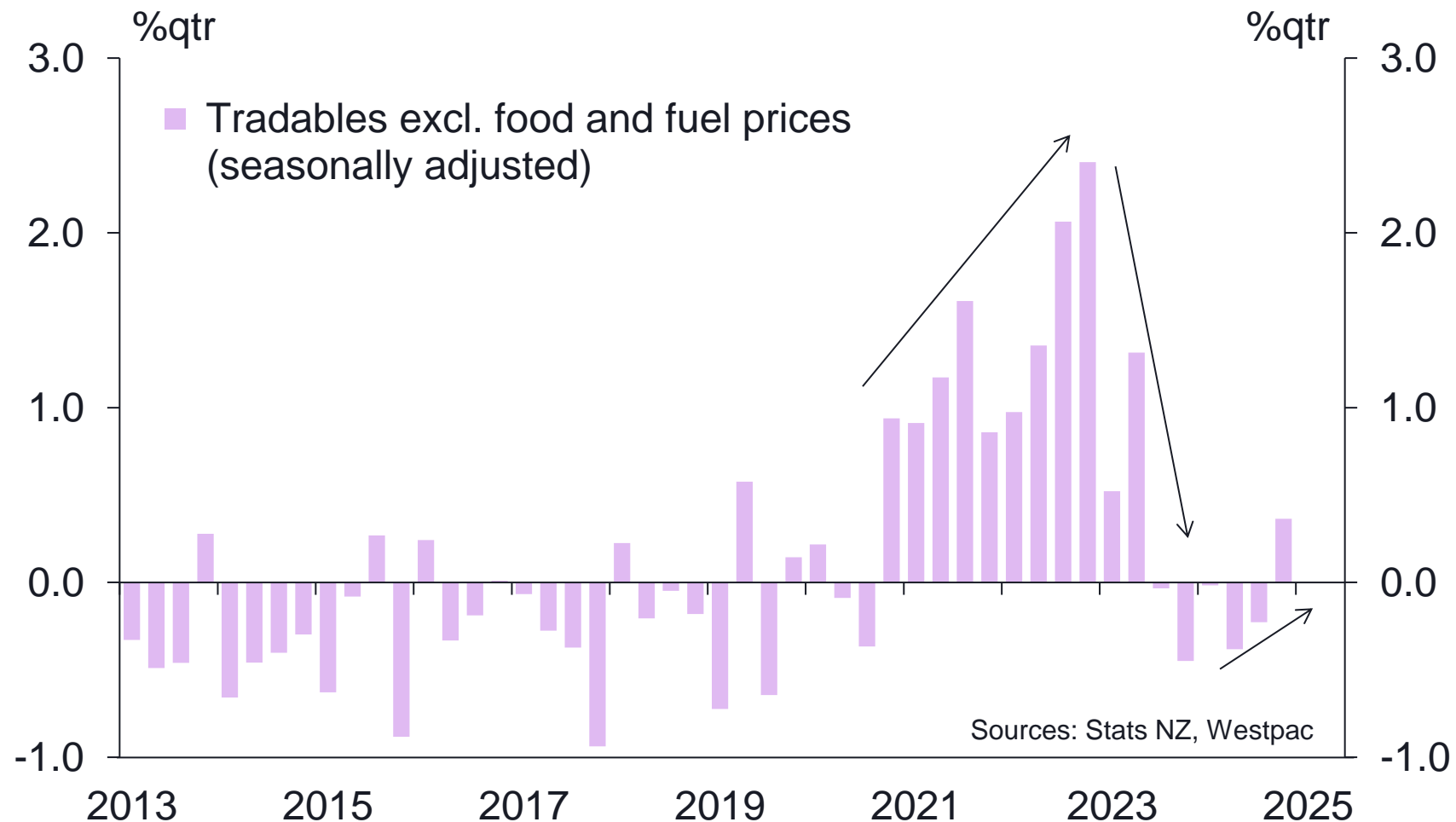


# Tradables inflation

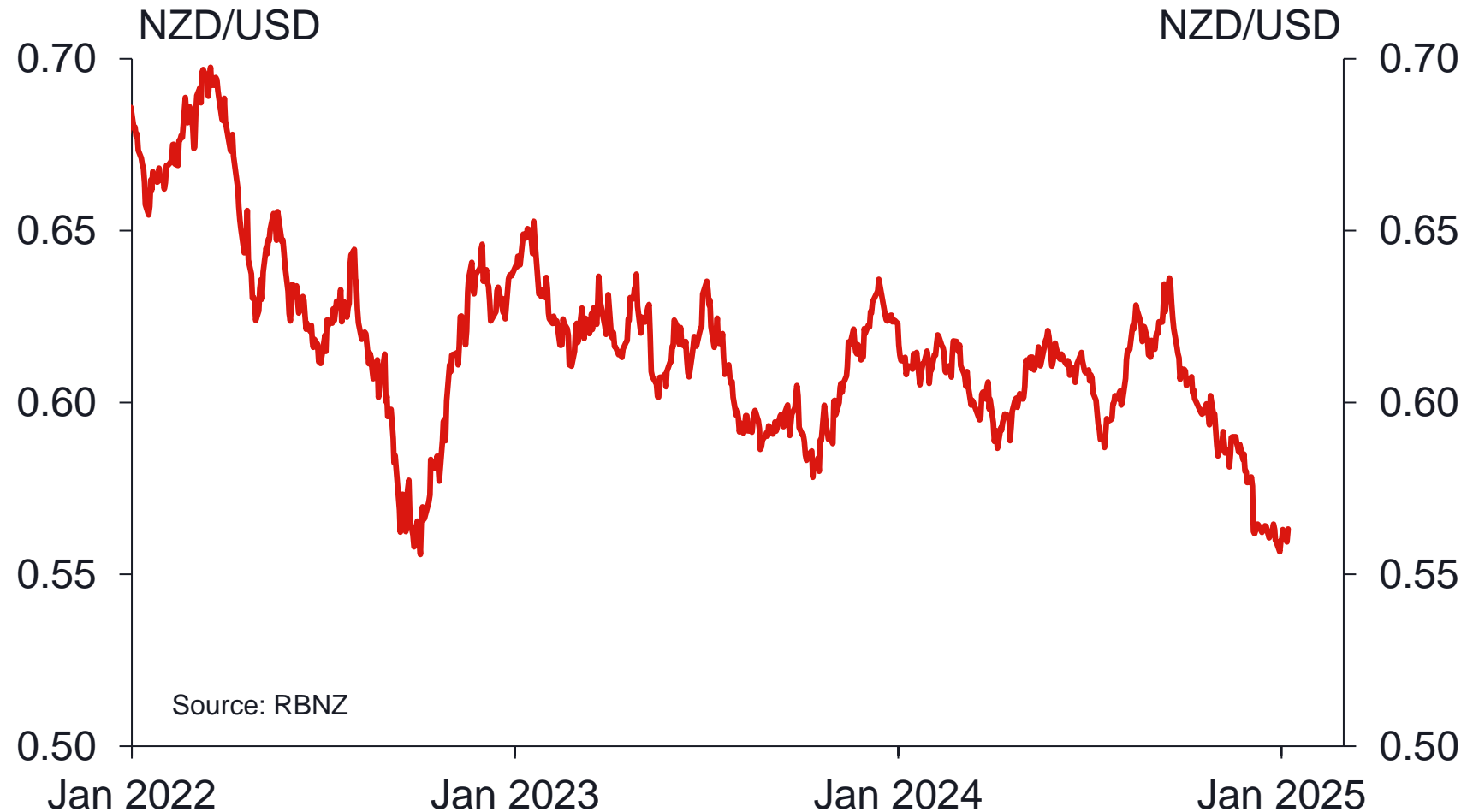
# Tradables inflation has driven much of the fall in inflation over the past year...



# ...but the softness in imported inflation looks like it's flattening off...



**...and the NZ dollar has lost ground in recent months.**

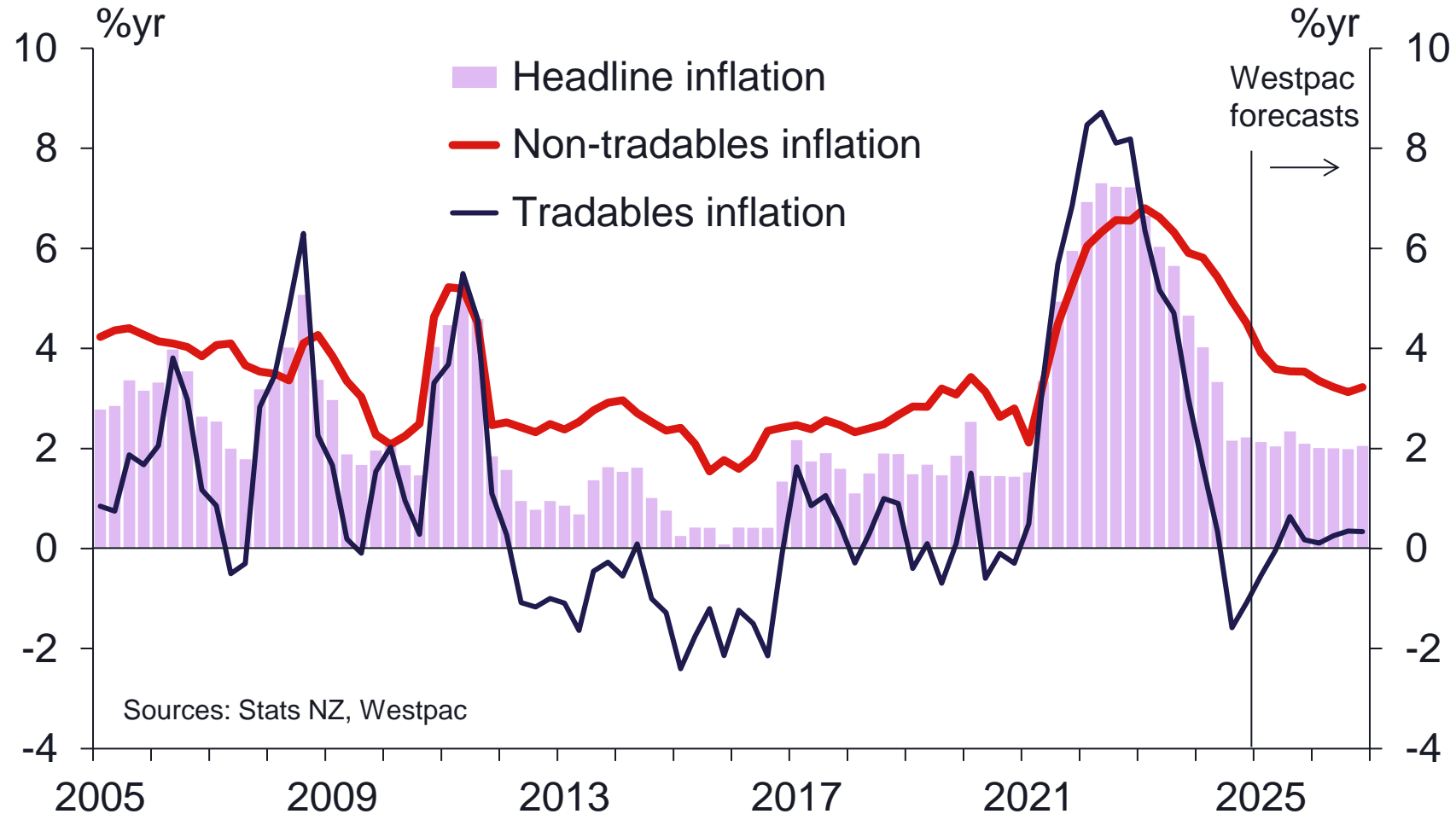




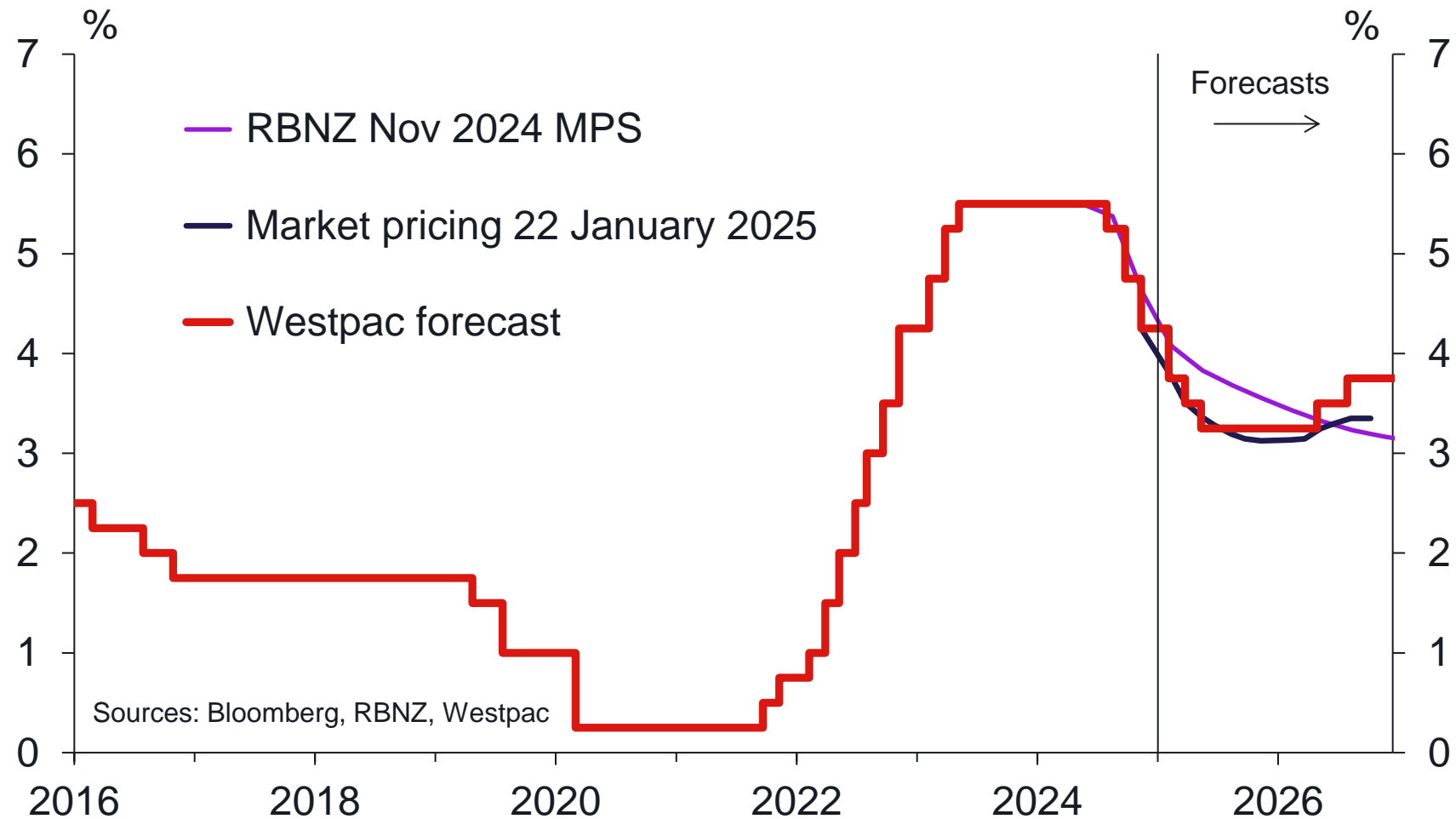
# Outlook



# Inflation looks set to track close to 2% over the year ahead...



# ...and the RBNZ is set to deliver another 50bp cut in February.



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