



ECONOMIC BULLETIN

CPI preview, June quarter 2025 –
Monday 21 July, 10:45am.



17 Jul 2025 | **Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

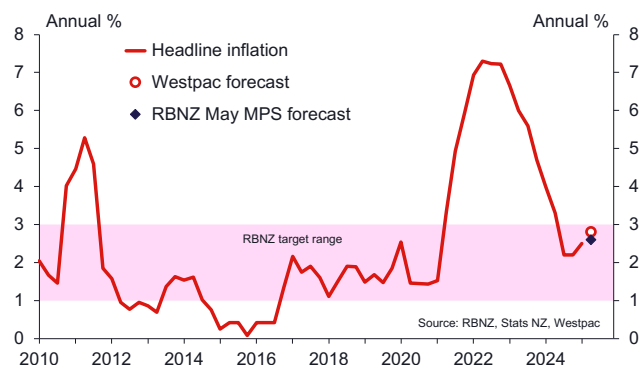
Inflation creeping higher

- We estimate that New Zealand consumer prices rose by 0.6% in the June quarter.
- The annual inflation rate is expected to rise to 2.8% (up from 2.5% in the year to March).
- Price pressures are easing in interest rate sensitive areas of the economy, like in the services sector and discretionary spending categories. However, increases in food prices and firmness in administered prices are pushing overall inflation higher.
- Our forecast for annual inflation is slightly higher than the RBNZ's forecast which was finalised back in May. However, more recent comments indicate that the RBNZ is already braced for an upside surprise.
- The various measures of core inflation are expected to continue easing. However, several closely watched measures are likely to remain close to the top of the RBNZ's target band.

Consumer price inflation

	Mar-25 actual	Jun-25 forecast	
		Westpac	RBNZ (May MPS)
Headline inflation			
Quarterly	0.9%	0.6%	0.5%
Annual	2.5%	2.8%	2.6%
Non-tradables inflation			
Quarterly	1.1%	0.7%	0.7%
Annual	4.0%	3.8%	3.7%
Tradables inflation			
Quarterly	0.8%	0.3%	0.1%
Annual	0.3%	1.2%	0.9%

Annual headline inflation



Inflation is pushing back up towards the top of the RBNZ's target band. We expect the June quarter inflation report (out on 21 July) will show that consumer prices rose 0.6% over the past three months. That would see the annual inflation rate rising to 2.8%, up from 2.5% in the year to March. That's the highest inflation will have been in a year.

Underpinning June's rise in consumer prices are large price increases in two specific areas:

- **Food prices** (19% of the CPI) have risen 1.6% in recent months and are set to be the largest upside contributors to inflation this quarter. That's mainly due to a large seasonal increase in vegetable prices. There have also been large increases in the prices of dairy products and other grocery items.
- There has also been a large increase in **household energy prices** (3% of the CPI), with electricity prices having risen 5% over the quarter. That's in part due to increases in lines and transmission charges.
- On the downside, **petrol prices** (4% of the CPI) have fallen around 5% over the past few months.

Contributions to June quarter inflation forecast (percentage points)



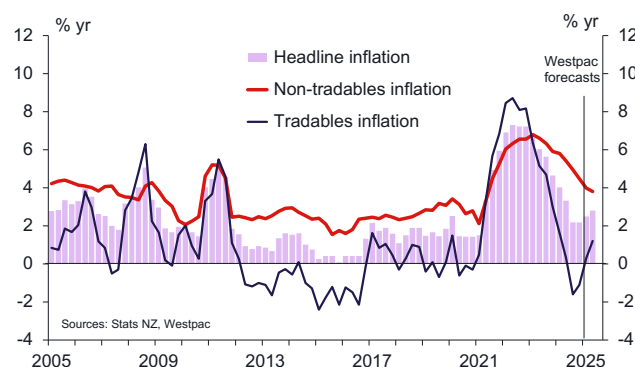
In terms of the big CPI groups, we expect that domestically oriented **non-tradables** prices will rise 0.7% over the quarter. That would see annual non-tradables inflation slowing to 3.8%, down from 4.0% last quarter and continuing the gradual easing that we've seen over the past couple of years.

Underlying that easing in domestic inflation has been softness in economic activity, which has seen muted growth in wages and service sector prices. We've also seen very limited increases in both rents and the cost of new housing (the latter reflecting the more general softness in the housing market).

But even with that softness in domestic activity, overall non-tradables inflation has been easing only gradually due to lingering strength in administered prices, like electricity charges. Increases in such costs mean that domestic inflation is lingering above historic averages, and that is a key concern for the RBNZ.

On the imported front, we expect **tradable** prices will rise by 0.3% in the June quarter. That would see annual tradables inflation rising to 1.2% - a stark change from the past year when tradable prices had been flat or falling.

Inflation components



How do our forecasts compare to the RBNZ's assumptions?

Our forecast for a 0.6% quarterly rise in consumer prices is a little above the RBNZ's last published forecast for a 0.5% rise. The RBNZ's forecast was finalised back in May, before much of the recent increases in either food or energy prices. However, comments in the RBNZ's more recent July monetary policy review indicate that they are now braced for a larger increase in consumer prices than they anticipated back in May. A result in line with our forecast is unlikely to be a major surprise.

Core inflation gradually easing, but pressures remain.

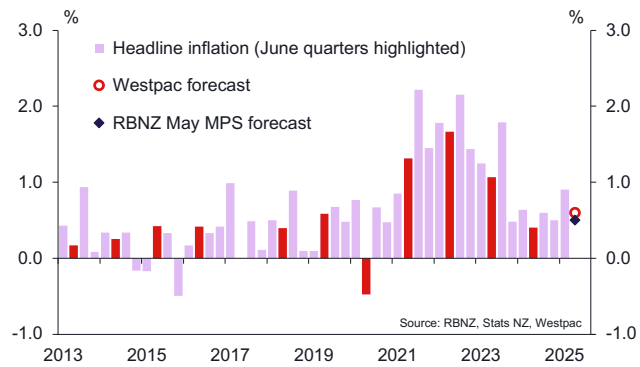
With much of the current rise in inflation driven by increases in a few specific areas, the RBNZ will be paying close attention to the various measures of core inflation. (Core inflation measures smooth through the quarter-to-quarter volatility in inflation and instead track the underlying trend in prices.)

Core inflation measures have been trending down in recent months and have drifted back towards or inside the RBNZ's target band. We expect that core inflation will continue to gradually ease in June but will linger above 2%. Some measures are likely to sit close to the top of the RBNZ's target band. For instance, we expect that CPI excluding food, fuel and energy costs will rise to 2.8% (from 2.7% previously)

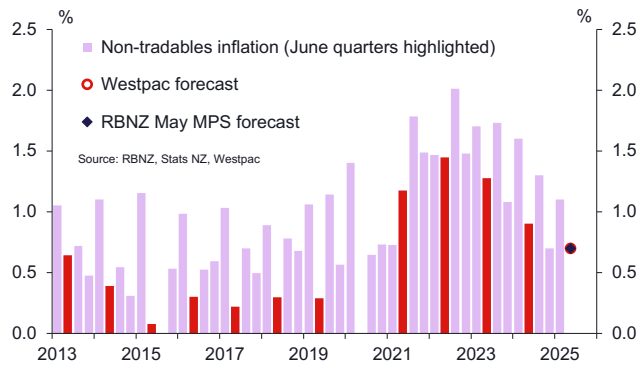
Where could we be surprised?

The main uncertainty around our forecast are prices for discretionary household items, with the risks here on both sides. Those items are mostly imported and include products like apparel, furnishings and other durable items. Household spending has been subdued in recent months, and that could have an even larger dampening impact on prices than we had assumed. However, prices for some items, like cars, can have sizeable swings on a quarter-to-quarter basis.

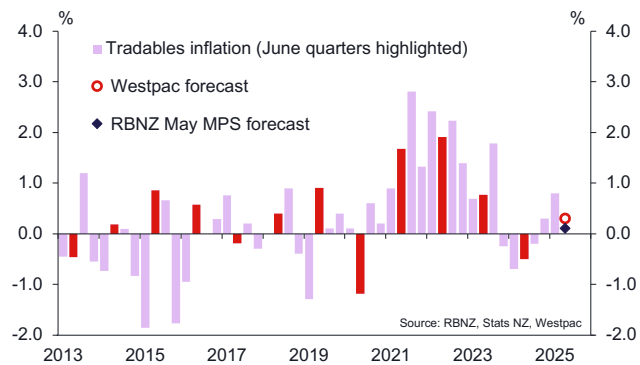
Quarterly CPI inflation



Quarterly non-tradables inflation



Quarterly tradables inflation



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