



# ECONOMIC BULLETIN

CPI preview, March quarter 2026 –  
Tuesday 21 April, 10:45am.



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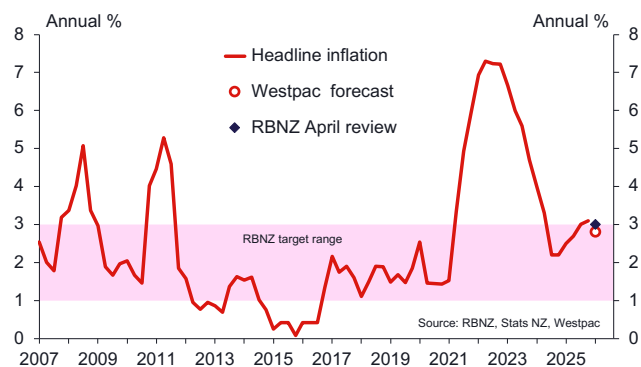
## Calm-ish before the storm

- We estimate that New Zealand consumer prices rose by 0.7% in the March quarter. That’s slightly lower than our previous forecast, reflecting updated information from Stats NZ’s monthly prices report.
- The annual inflation rate is expected to dip to 2.8% (from 3.1% previously).
- But while the annual inflation rate is set to soften a little in March, this will be just a temporary reprieve. Inflation is set to rise sharply through the middle part of the year in response to the recent rise in oil prices and related increase in other costs. We expect inflation will rise to around 4.3% mid-year.
- March’s lift in consumer prices is mainly due to higher prices for food and petrol.
- Under the surface, core inflation is expected to remain at firm levels.
- Our forecast is close to the RBNZ’s updated forecast for 3.0% annual inflation.

Consumer price inflation

	Dec-25 actual	Mar-26 forecast	
		Westpac	RBNZ (Apr MPR)
<b>Headline inflation</b>			
Quarterly	0.6%	0.7%	
Annual	3.1%	2.8%	3.0%
<b>Non-tradables inflation</b>			
Quarterly	0.6%	0.8%	
Annual	3.5%	3.3%	
<b>Tradables inflation</b>			
Quarterly	0.7%	0.2%	
Annual	2.6%	2.1%	

Annual headline inflation



We expect the March quarter inflation report (out on 21 April) will show that New Zealand consumer prices rose 0.7% over the past three months. That would see the annual inflation rate slipping back to 2.8%, down from 3.1% previously.

However, this will be just a temporary reprieve. Oil prices spiked higher in late February. And despite their recent

easing, they remain uncomfortably high. While the early impacts of those increases will be seen in the March quarter report, their full impact, including the spillover into other prices, won't be evident for a few months. As the impact of those costs and the related supply chain disruptions ripples through the economy, we expect inflation will rise significantly higher through the middle part of the year. We're picking a peak of 4.3%.

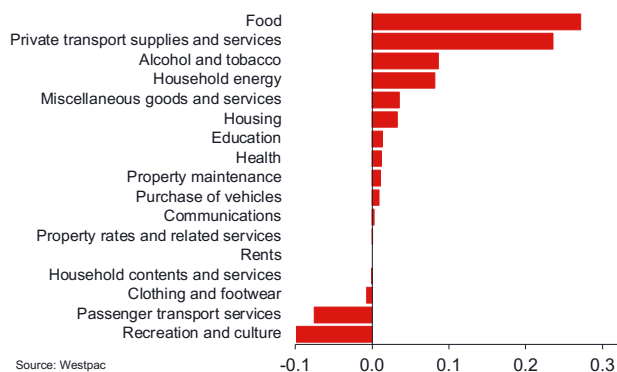
Our updated forecast incorporates information from Stats NZ's monthly prices reports. Those updates have been a little softer than we had expected, particularly in the case of volatile categories like holiday travel and accommodation costs. As a result, we've revised our forecast for the quarterly CPI down from our earlier estimate of 0.8% to 0.7%. Importantly, some of the softness seen in the March figures will be temporary. Costs of transport have increased and are flowing through to other prices. We expect to see that reflected in prices over the next few months.

Underpinning March's rise in consumer prices have been large increases in a few specific areas.

- First are food prices, which are expected to be up 1.5% over the quarter. That's related to the usual seasonal increases in the price of fruit, as well as higher prices for confectionary.
- Unsurprisingly, the other big category that has boosted inflation this quarter are private transport costs. The sharp rise in oil prices over the past few weeks has left petrol prices up 3% over the quarter, with diesel prices up 11%. There has also been a big rise in vehicle registration costs.
- In addition to those factors, the March quarter also saw continued increases in electricity charges and the annual increase in the tobacco excise tax.

On the downside, the only categories where we expect a noticeable decline are recreation and culture. That's due to a seasonal fall in holiday accommodation costs and international airfares.

#### Contributions to March quarter inflation forecast (percentage points)



Importantly, while oil and food prices have boosted inflation, these aren't the only areas where we've seen

firmness in prices. Despite dropping back over the past year, key measures of core inflation are set to linger in the upper part of the RBNZ's target band. (Note: core inflation measures smooth through the quarter-to-quarter swings in inflation and track the underlying trend in prices). In terms of specifics, we expect:

- CPI ex-fuel inflation: +2.9% yr (vs +3.2% previously)
- CPI ex-fuel and food: +2.5% yr (vs +2.9% previously)
- 10% trimmed mean: +2.8% (vs +2.9% previously)

That resilience in core inflation will be important for the RBNZ, highlighting the firm starting point for inflation even before the recent oil price shock.

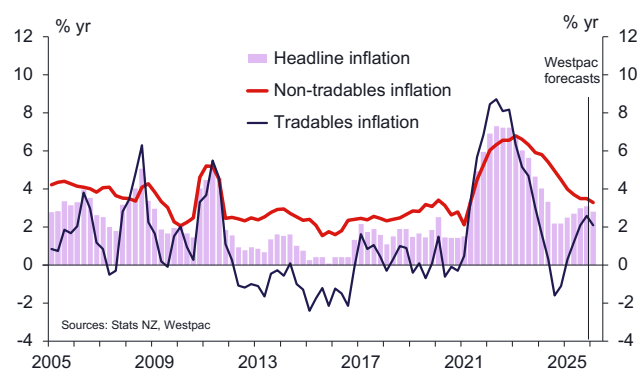
Much of that firmness in core inflation has been due to increases in domestically oriented non-tradables prices. We expect these prices will rise 0.8% over the quarter. That would see annual non-tradables inflation slowing to 3.3%, down from 3.5% last quarter but still well above average levels. Notably, while much of the strength in non-tradables inflation has been related to items like rates and electricity, other non-tradable prices have also recorded solid rises over the past year.

Bucking that trend of general firmness in non-tradeable prices, however, has been notable softness in housing costs.

- Stats NZ's monthly updates have shown that housing rents were effectively flat in the March quarter. That would be the weakest result since 2001. It's particularly notable as the start of the year typically sees many rental agreements rolling over and larger increases in rents. This softness comes against a backdrop of low population growth and increases in housing supply, with particularly weak growth in areas like Wellington. We expect housing rental growth will remain muted for some time.

- We also expect a modest 0.5% rise in the cost of a newly built home. Construction cost inflation has been muted for some time. However, recent reports point to growing pressure on materials costs. Those increases aren't likely to have been captured in the March quarter figures, but the risks are tilted towards larger increases later in the year.

#### Inflation components



On the imported front, we expect tradables prices will rise by 0.2% over the quarter. That would see annual tradables inflation dipping to 2.1% from 2.6% previously. However, tradables inflation is set to rise sharply over the next few quarters as the impact of higher oil prices ripple through supply chains.

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

In an unusual move, the RBNZ issued an updated forecast for near term inflation at their recent April policy review. Normally the RBNZ only publishes forecasts when they release their quarterly Monetary Policy Statements. However, the magnitude of oil price increases in recent weeks means that the RBNZ's previous forecasts from February are no longer a relevant benchmark.

The RBNZ's updated forecasts show inflation in the year to March at 3.0% (up from their previous forecast for 2.8%). The RBNZ didn't publish a quarterly inflation track in April, but we estimate that their annual forecast is consistent with a 0.8% quarterly rate.

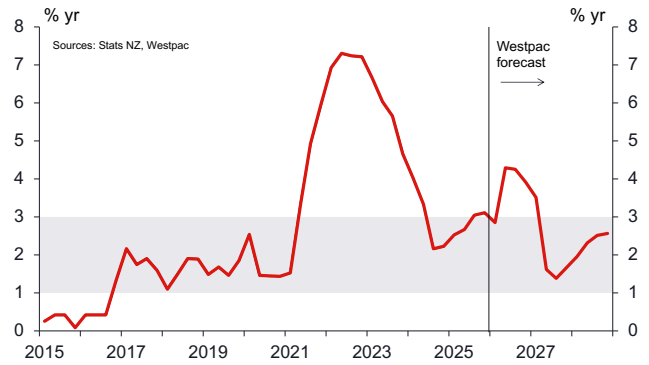
Our forecast for a 2.8% rise in consumer prices is slightly lower than the RBNZ's expectations for 3.0%. However, given the rapid changes in the economic outlook over the past few weeks and related uncertainty about the outlook, a result in line with our forecast would not be a major surprise to the RBNZ.

### But wait...the worst is yet to come.

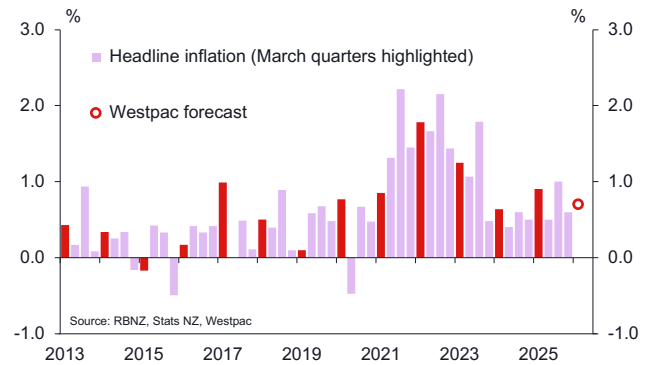
This quarter's result is really just the curtain raiser. Both we and the RBNZ now expect inflation will rise to over 4% in the June quarter. We've updated our forecasts and now expect annual inflation to peak at 4.3% in the June quarter, before dropping back to 3.9% by the end of this year (previously we expected inflation would peak at 4.1% in June and then ease back. The middle part of the year will see the full brunt of the recent rise in oil prices, as well as related increases in travel and other costs.

And the bigger focus will actually be the various survey gauges of forward cost and pricing pressures over the next few months, which will be closely watch for signs of a more enduring lift in inflation.

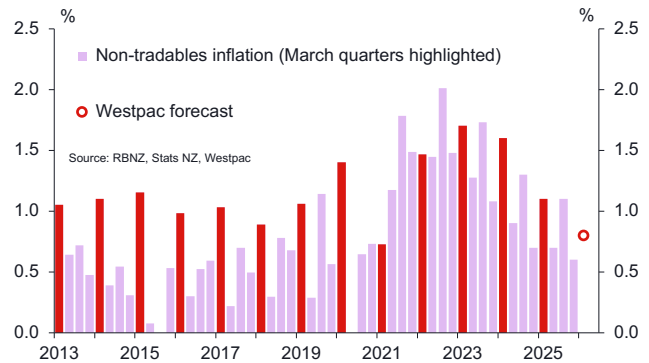
Annual inflation forecast



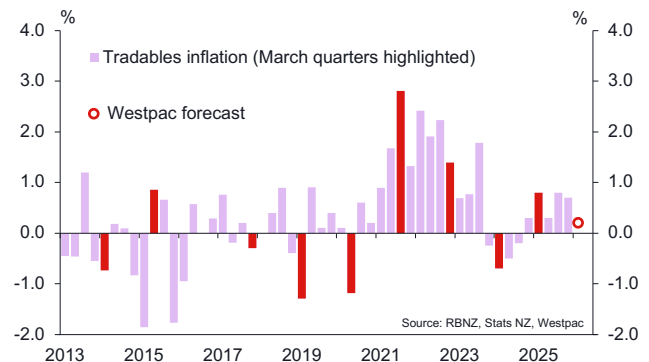
Quarterly CPI inflation



Quarterly non-tradables inflation



Quarterly tradables inflation



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