March 2026 Quarter CPI Preview

17 April 2026

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Consumers Price Index – March 2026 Quarter

	Prev	ANZ	RBNZ*
CPI – q/q	0.6%	**0.7%**	**NA**
CPI – y/y	3.1%	**2.9%**	**3.0%**
Non-tradables – q/q	0.6%	**1.0%**	**NA**
Non-tradables – y/y	3.5%	**3.4%**	**NA**
Tradables – q/q	0.7%	**0.4%**	**NA**
Tradables – y/y	2.6%	**2.2%**	**NA**

* Forecast provided in the April Monetary Policy Review. This did not include a tradable non-tradable split.

Prelude

The bottom line

- The Q1 CPI will capture some initial impacts from the Middle East conflict, but inflationary effects will be more pronounced in Q2.
- We expect annual inflation to slow by 0.2ppt in Q1 to 2.9% (0.7% q/q). That's slightly higher than our previous forecast of 2.8% y/y but slightly lower than the RBNZ's April MPR forecast of 3.0%. Our forecast for annual inflation is closer to rounding to 2.8% than 3.0%.
- Petrol prices lifted very sharply in the month of March (up 18.6% m/m), but on a quarterly change basis the increase will be much smaller in Q1 (around 3.5%). If prices are sustained around current levels, Q2 CPI will record a much larger quarterly rise.
- The starting point for non-tradable and core inflation will influence the RBNZ's assessment of risks to medium-term inflation but data will in large part reflect past economic conditions. Nonetheless, if we were to see a surprisingly strong read on the core measures, that would corroborate the strong pricing signal evident in our Business Outlook and could see the market eye up a May hike.

Big picture and monetary policy implications

The Q1 CPI will be released at 10:45am on Tuesday, 21 April. We have pencilled in a 0.2ppt fall in annual headline inflation to 2.9%. However, given developments over the past couple of months, these data have a historical feel, with inflation set to accelerate sharply in Q2 (released July).

That is not to say the signal from the core measures in particular won't matter. While it is too soon to expect core inflation to reflect any broadening in inflation pressures stemming from the oil shock, the RBNZ would be particularly concerned if these measures were to show signs that they were lifting ahead of that shock. However, we expect the core inflation indicators produced by Stats NZ to remain within the 1-3% target band, with the weighted median, 30% trimmed mean, and ex-food, fuel and energy measures expected to land within a 0.3% band around 2%. That should give the RBNZ some comfort that underlying inflation pressures were contained before the Middle East conflict erupted.

Comparing our forecast to the RBNZ's is a little more difficult this quarter. The RBNZ provided a forecast for Q1 headline inflation of 3.0% y/y at the April Monetary Policy Review, but didn't provide the tradable / non-tradable split. The February MPS forecast was for headline inflation to come in at 2.8% y/y with non-tradable falling 0.1% pt to 3.4% y/y (in line with our forecast). It seems reasonable to assume that the upgrade to their forecast to 3.0% was owing largely to higher tradable inflation.

Barring a significant surprise to our forecast, it is reasonable to assume that uncertainty around the medium-term inflation outlook will be the Monetary Policy Committee's main focus in May, rather than the Q1 starting point. But that's not to say the signal on underlying inflation in the Q1 data won't matter: continued underlying disinflation would be a welcome sight given what's coming, whereas a stronger inflationary vibe could see the RBNZ put less weight on the fact that the starting-point output gap is negative. The data will either add to or subtract from the Committee's comfort with the plan to watch and wait until the picture is clearer.

The details

Breaking down our forecast for headline inflation of 0.7% q/q:

- The **Food group** is expected to add 0.2 ppts, driven largely by fruit and vegetable, meat, and grocery prices.
- The **Alcoholic beverages and tobacco group** is expected to add 0.1ppt largely owing to the annual tobacco excise increase.
- The **Housing and household utilities group** is expected to contribute 0.2 ppts to quarterly inflation, driven by electricity (up 2.7% q/q) and home ownership (up 0.8% q/q).
- The **Transport group** is expected to add just under 0.2 ppts. Most of that reflects higher fuel prices (petrol up around 3.5% q/q) with domestic airfares (up 9.3% q/q) providing a partial offset to weaker international airfares (down 6.9%).
- Relatively smaller moves across the other CPI groups are expected to net out to a small positive contribution to headline inflation (Table 1).
- As Stats NZ has outlined, there are some policy impacts to account for in Q1, including the impact of some students becoming eligible for fees-free this year (with even more eligible this time next year) and prescription charges. These may not move the dial on headline inflation. But the **Education group** is one to watch as it's unclear how much fees-free eligibility will offset BAU annual tertiary education fee increases. We estimate it will only provide a partial offset, but we don't have good data to estimate these things.

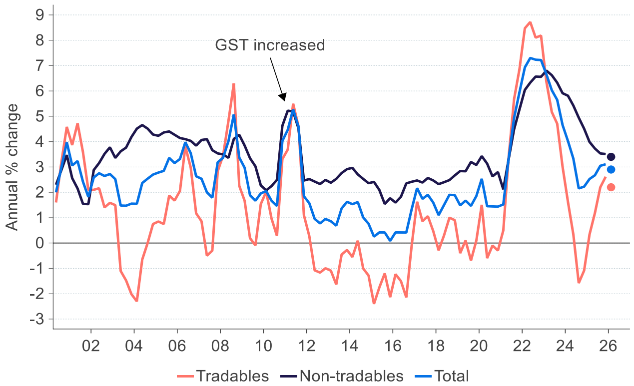
Table 1. ANZ Q1 CPI component-level forecast

	%	q/q%	%pt cont.
Total		**0.7**	**0.69**
Food		1.1	0.21
Housing & Household Utilities		0.4	0.17
Transport		0.8	0.14
Alcoholic Beverages & Tobacco		1.2	0.09
Miscellaneous Goods & Services		0.7	0.06
Education		2.8	0.04
Health		0.4	0.02
Communication		0.3	0.01
Clothes & Footwear		-0.3	-0.01
Household Contents & Services		-0.5	-0.02
Recreation & Culture		-0.3	-0.03

■ Quarterly % change ■ Percentage point contribution

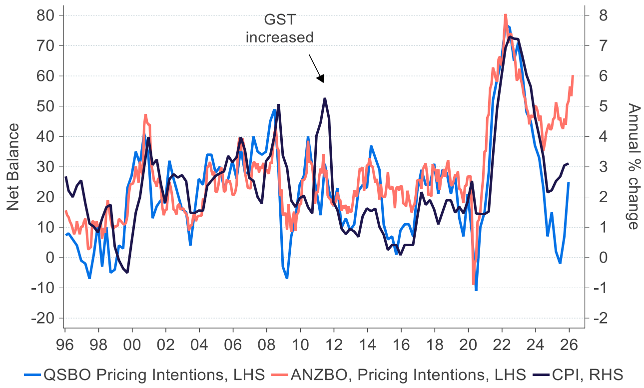
Source: Stats NZ, Macrobond, ANZ Research

Figure 2. CPI inflation measures



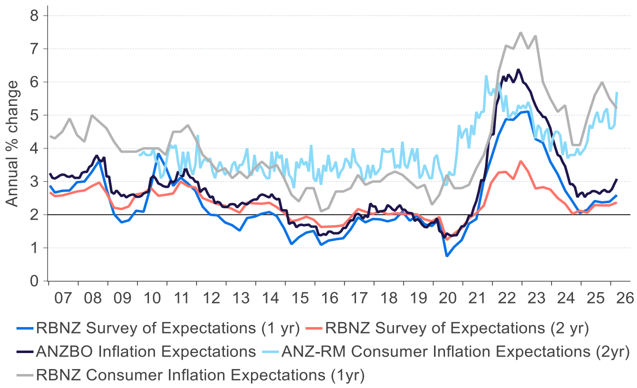
Source: RBNZ, Stats NZ, Macrobond, ANZ Research

Figure 3. Inflation and pricing intentions



Source: NZIER, Stats NZ, Macrobond, ANZ Research

Figure 4. Selected inflation expectations measures



Source: Stats NZ, RBNZ, Macrobond, ANZ Research

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Last updated: 18 June 2025

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