NZ CPI Review – Q2 2026

21 July 2026

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Data summary

	% qtr	% ann
Headline CPI	1.5%	4.1%
Tradable	2.7%	4.9%
Non-tradable	0.6%	3.4%

Inflation revs up, as expected

Bottom line: Close to forecast, with some mixed signals on underlying inflation pressure

- Annual CPI inflation accelerated 1.0 ppts to 4.1% in Q2 (+1.5% q/q), marginally stronger than our expectation of 4.0% and stronger than the RBNZ's July MPR forecast of 3.9%.
- Tradable inflation accelerated 2.4 ppts to 4.9% y/y, driven by higher fuel prices. This was marginally stronger than our expectation of 4.8%.
- Excluding vehicle fuels, headline inflation was unchanged at 3.2% y/y in Q2.
- Non-tradable inflation (which tends to be driven largely by domestic factors and of more interest to the RBNZ) slowed 0.1 ppt to 3.4% y/y, in line with our forecast and the RBNZ's May MPS forecast.
- The signal on underlying inflation was mixed and shouldn't move the dial much for the RBNZ. The trimmed mean and weighted median measures accelerated, but the ex-fuel and energy measure slowed. Services inflation slowed meaningfully, and seasonally adjusted annual non-tradable inflation was stable.
- While we are hopeful that Q2 will mark the peak in annual inflation following the oil price shock, oil prices are currently rising again, and in any case the RBNZ is unlikely to stop worrying about potential spillover effects any time soon. Gradual progress on non-tradable inflation and broadly contained core inflation is unlikely to move the Monetary Policy Committee's policy assessment significantly. Their major concern is balancing risks to the outlook, and in that context this starting point for underlying inflation momentum is not a red flag. We remain comfortable with our OCR call for 25bp hikes at both the September and October meetings.

Big picture and monetary policy implications

Headline inflation accelerated to 4.1% in Q2 as sharply higher tradable inflation (the more volatile side of the CPI basket) met a gradual slowdown in non-tradable inflation. Fuel prices are a significant part of the story, with annual headline inflation less vehicle fuels unchanged at 3.2% y/y in Q2.

Looking through some of the more volatile parts of the basket, the signal on underlying disinflation was mixed:

- Annual non-tradable inflation slowed 0.1 ppt to 3.4%, which is still a little too high to call consistent with headline inflation stabilising around 2%, but it's not far away and is literally half its March 2023 peak of 6.8%.
- Annualised seasonally adjusted non-tradable inflation was stable at 3.2% (0.8% q/q).
- Services inflation slowed a further 0.9 ppts to 2.6% y/y.
- The ex-food, fuel and energy measure fell 0.1 ppt to 2.5% y/y.
- The 30% trimmed mean measure rose 0.3 ppts to 2.6%.
- The weighted median rose 1.1 ppts to 2.7% (using the 2024 weights).

Meanwhile, our diffusion measures (figure 4, page 3) ticked up, but only slightly and not outside typical volatility.

Weighing all that up, we would categorise the starting-point signal on the underlying and broad inflation impulse as mixed but contained for now. However, today's data were never going to reveal the full impact of the oil shock on medium-term inflation, and for the RBNZ that is what ultimately matters. Indeed, the Monetary Policy Committee will be most concerned about the effect of the fuel shock on inflation expectations and firms' pricing behaviour (i.e. the extent to which firms pass on higher costs, and whether they reverse those increases when costs fall). Adding to these risks, administrative price inflation (e.g. council rates, which are set to feature prominently in Q3) is likely to remain elevated for an extended period. These considerations must be weighed against the fact that the economy still appears to have ample disinflationary spare capacity (though in that context it is worth noting that the QSBO suggested some risk that it might not be as ample as assumed).

All in all, today's data suggest that the RBNZ's strategy of withdrawing monetary stimulus and facing into inflation risks with monetary conditions in a more neutral position is sensible. Today's data is consistent with our OCR call for 25bp hikes in both September and October.

We'll update our CPI forecast in this week's Data Wrap.

The details

Breaking down the details of the 1.5% q/q rise in the Q2 CPI:

- The **transport group** (typically one of the more volatile components of the CPI and 14.3% of the basket) lifted 6.0% q/q, adding 0.8 ppts to quarterly inflation. Most of that reflects higher fuel prices (petrol up 20.1% q/q; diesel up 47.7% q/q) with some offset from the purchase of vehicles and passenger transport services (down 3.5% reflecting lower prices for airfares).

- The **housing and household utilities group** (29.4% of the CPI basket) rose 1.1% q/q, making a 0.3 ppt contribution to quarterly inflation. That was driven by home ownership (up an unusually sharp 1.6% q/q), electricity (up 4.4% q/q) and property maintenance (up 1.1% q/q).

- The **food group** (18.45% of the CPI) rose 0.4% q/q, adding 0.1 ppts, driven largely by ready-to-eat food and groceries.

- Together, the **clothing and footwear**, **household contents and services**, **communication**, and **recreation and culture groups** added 0.2 ppts to quarterly inflation.

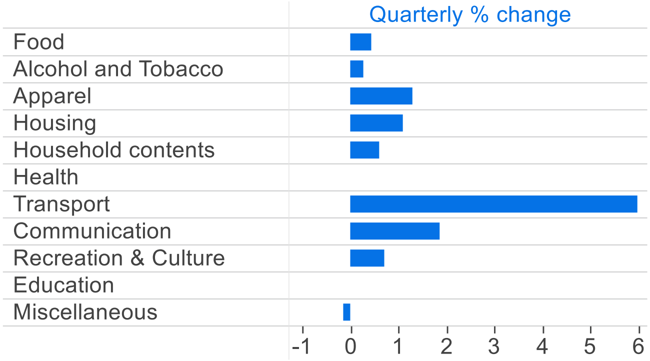
- The **health group** (3.47% of the CPI basket) was flat (0.0% q/q), as lower pharmaceutical products (-3.3% q/q) was offset by higher out-patient services prices. The fall in pharmaceutical products was smaller than our assumption and reflects the catch-up adjustment Stats NZ forewarned us was coming ahead of the release (without revealing the magnitude).

- Other parts of the CPI were broadly as expected, with relatively small contributions to quarterly inflation.

- Compared to our forecast, the main surprise came from the housing and household utilities group (chiefly home ownership) and health groups.

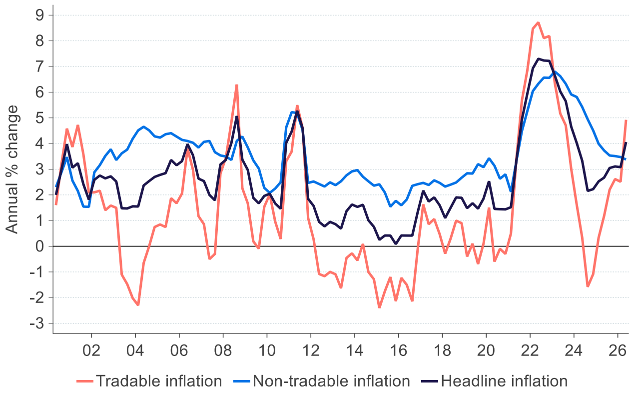
Stepping back, most of the main drivers of quarterly inflation in Q2 were close to our expectation, but with the usual overs and unders at the detailed (class) level. More broadly, the signal on underlying inflation pressure was a little mixed, with limited evidence in today's data that the fuel shock has broadened across the CPI basket as yet. But in that respect, it is very much early days – we would have been surprised (and the RBNZ would have been very alarmed) to see strong evidence of spillover effects this early.

Figure 1. CPI groups – June 2026 quarter



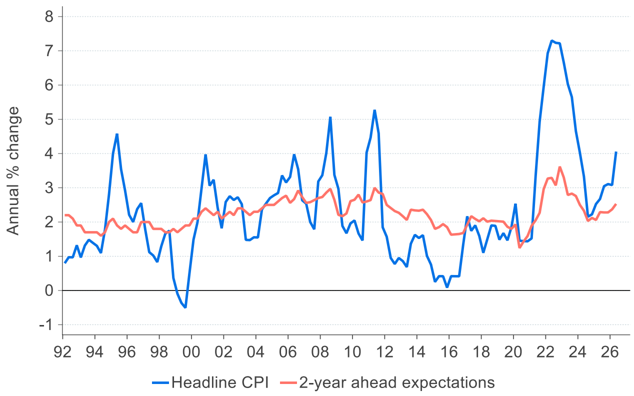
Source: Stats NZ, Macrobond, ANZ Research

Figure 2. CPI inflation components



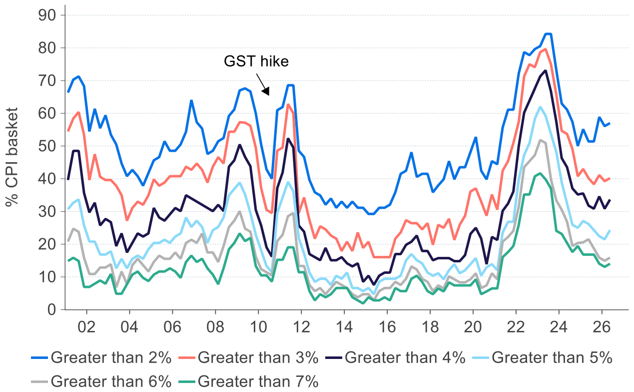
Source: Stats NZ, Macrobond, ANZ Research

Figure 3. Headline inflation vs inflation expectations



Source: Stats NZ, RBNZ, Macrobond, ANZ Research

Figure 4. Proportion of CPI basket running >X%



Source: Stats NZ, Macrobond, ANZ Research

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