



# ECONOMIC BULLETIN

CPI preview, March quarter 2025 –  
Thursday 17 April, 10:45am.



11 Apr 2025 | **Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

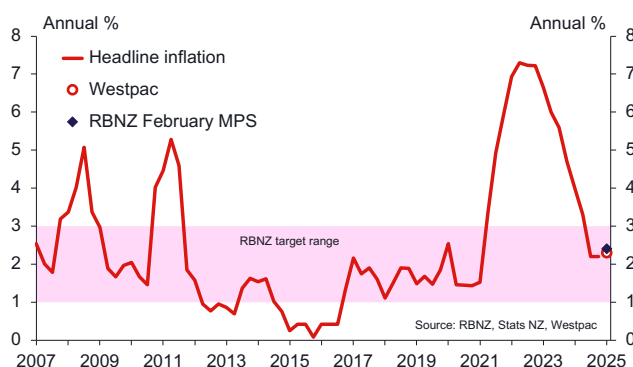
## Inflation's contained, but continues to hover above 2%.

- We estimate that New Zealand consumer prices rose by 0.7% in the March quarter. That's just slightly lower than we previously expected, reflecting changes in the weightings in the CPI.
- The annual inflation rate is expected to rise to 2.3% (up from 2.2% in the year to December).
- Our forecast for annual inflation is just slightly below the RBNZ's forecast from their March Monetary Policy Statement. However, such a surprise won't be a material concern for the RBNZ's policy stance.
- Core inflation remains comfortably back inside the RBNZ's 1% to 3% target band. However, inflation is set to linger above 2% for some time. Even though domestic price pressures are continuing to ease, a pickup in imported cost pressures is limiting the downside for overall inflation.

### Consumer price inflation

	Dec-24 actual	Forecast	
		Westpac	RBNZ (Feb MPS)
Headline inflation			
Quarterly	0.5%	0.7%	0.8%
Annual	2.2%	2.3%	2.4%
Non-tradables inflation			
Quarterly	0.7%	0.9%	0.9%
Annual	4.5%	3.8%	3.8%
Tradables inflation			
Quarterly	0.3%	0.6%	0.7%
Annual	-1.1%	0.2%	0.3%

### Annual headline inflation



New Zealand inflation has picked up and continues to hover above the 2% midpoint of the RBNZ's target band.

We expect the March quarter inflation report (out on 17 April) will show that consumer prices rose 0.7% over the past three months. That would see the annual inflation rate rising slightly to 2.3%, up from 2.2% in the year to December.

Underlying the expected modest firming in inflation, domestic cost pressures are continuing to gradually ease, while imported inflation has picked up following earlier softness.

## Same-same, but different – updates to the weights in the CPI.

Our updated forecast incorporates Stats NZ's latest updates to the weights of goods and services included in the CPI. This is a technical change Stats NZ makes every few years to ensure that the make-up of the CPI reflects how households' spending patterns have evolved.

Overall, the changes to CPI weights were fairly limited in the latest update. Notably, the weights of the tradable and non-tradable subgroups remained largely unchanged at 42% and 58% respectively. Even so, there were some unders and overs in the updated CPI weights, and that was enough to nudge our forecast for the quarterly inflation rate down just slightly to +0.7% (vs. our earlier estimate of a +0.8% quarterly rise). That change mainly related to import prices, i.e. tradables inflation.

Taking a closer look at the updated CPI weights, there were a few notable changes.

- The weight on rents has increased to 11% (from 10% previously) and the weight on the cost of purchasing a new home has risen to 10% (from 9%).
- The weights of dwelling insurance and local council rates, which have been key drivers of the strength in domestic inflation, have also increased.
- With global travel recovering in the wake of the pandemic, the weights on international airfares and holiday accommodation have increased.
- On the downside, there is now less weight on cigarettes, tobacco, beer and wine prices, with at least some of us embracing healthier lifestyle choices.
- The weight on some imported durable items has also fallen, including used cars.

## The shadow of the trade war.

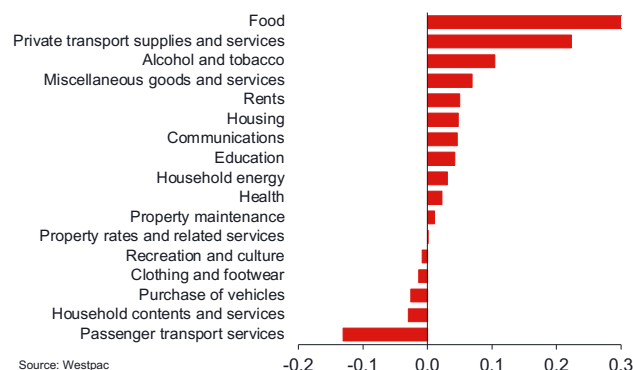
The March quarter CPI update pre-dates the 'Liberation Day' chaos that we've seen in recent days. However, there have still been some big changes in the global outlook that could be reflected in the CPI. Of note, the New Zealand dollar has fallen sharply since late last year following President Trump's election. And while it will take several months for the full impact of that drop to be felt, we could see some limited early impact in the prices of some imported goods.

## What's underlying our forecast?

The March quarter is expected to see some large price movements in a few specific areas:

- **Food prices** (18% of the CPI) are set to be the largest upside contributors to quarterly inflation, with prices up 1.7% over the quarter. That's mainly due to a large 3% rise in grocery food prices, with higher prices for items like milk and cheese as dairy prices have risen. There have also been increases in the cost of chocolate and other snack foods.
- Despite easing over the past few weeks, **petrol prices** (4% of the CPI) were around 5% higher in the March quarter than they were in the final months of 2024.
- The March quarter also saw the annual increase in the tobacco excise tax, with **cigarette and tobacco prices** up 3.8%.
- Balanced against those price rises, the March quarter saw a seasonal 9% fall in **international airfares**, which now account for 2% of the CPI.

Contributions to March quarter inflation forecast (percentage points)



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

Our forecast for a 0.7% quarterly rise in consumer prices is just below the RBNZ's last published forecast for a 0.8% rise from their February MPS. We're expecting slightly softer tradables inflation than the RBNZ. However, a result in line with our forecast is unlikely to be a major concern for the RBNZ, especially given the broader changes in the economic environment in recent weeks.

## Annual inflation well contained, but still above 2%.

More important than the quarter-to-quarter swings in specific areas is the underlying trend in consumer prices. We're forecasting that the annual inflation rate will rise to 2.3% – up slightly from 2.2% in the year to December, but still comfortably within the RBNZ's 1% to 3% target band.

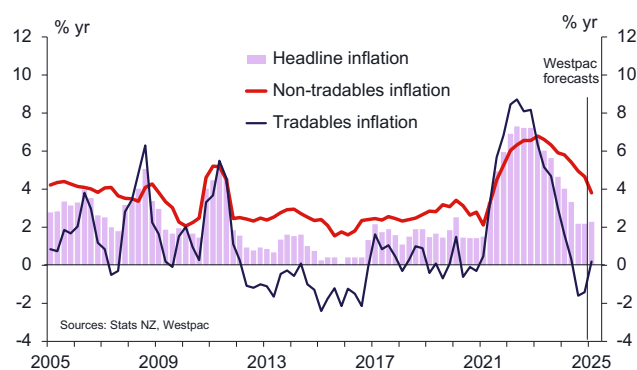
We also expect that the various measures of ‘core’ inflation will also point to well contained underlying inflation pressures. For instance, we expect that CPI excluding food and fuel costs will fall from 3.1% to 2.5%. Similarly, we expect that trimmed mean inflation will remain around 2.4%. (Core inflation measures smooth through the quarter-to-quarter volatility in inflation, and instead track the underlying trend in prices.)

In terms of the big CPI groups, we expect that domestically oriented non-tradables prices will rise 0.9% over the quarter. That would see annual non-tradables inflation slowing to 3.8%, down from 4.5% last quarter and the lowest rate since 2021. Underlying that easing in domestic inflation has been the softness in economic activity, which has seen muted growth in wages and service sector prices. We’ve also seen an easing in rents and subdued increases in the cost of new housing. Price changes on this front will be a key focus for the RBNZ.

But even with that softness in domestic activity, overall non-tradables inflation has been easing only gradually over the past year due to lingering strength in costs like insurance premiums. However, we’re now seeing signs that such pressures are moderating, and this will be a key area to watch in the March figures.

On the imported front, we expect tradable prices will rise by 0.6% in the March quarter. That would leave tradable prices up 0.2% over the past year. That’s still low, but would be up from the sharp falls we saw last year when consumer demand was very weak.

#### Inflation components



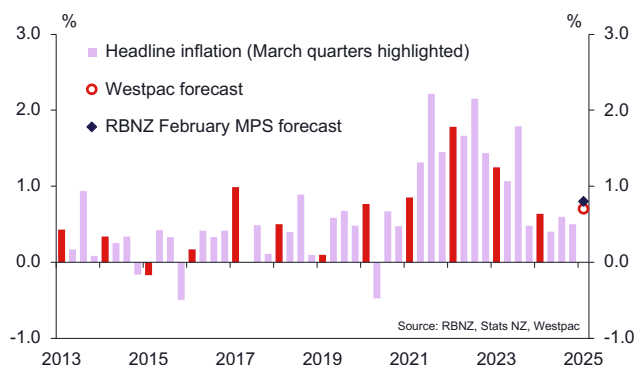
### Where could we be surprised?

The risks around our inflation forecast are two-sided.

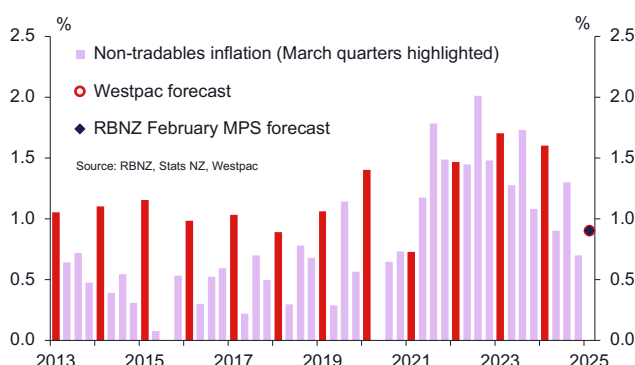
- On the upside, increases in food prices could be even larger than we have assumed. Stats NZ will release updated information on food prices and other costs on Tuesday 15 April, two days before the full CPI release. We’ll review our forecast when that data is released.
- On the downside, with subdued household demand, we could see greater than expected softness in the prices of imported goods, such as household furnishings, motor vehicles and apparel.

- It will also be worth keeping a close eye on rents and construction costs. These are the two largest components of the CPI, and feedback we’ve heard on both of these fronts has been soft. In particular, rental inflation could be much softer than we usually see at this time of year.

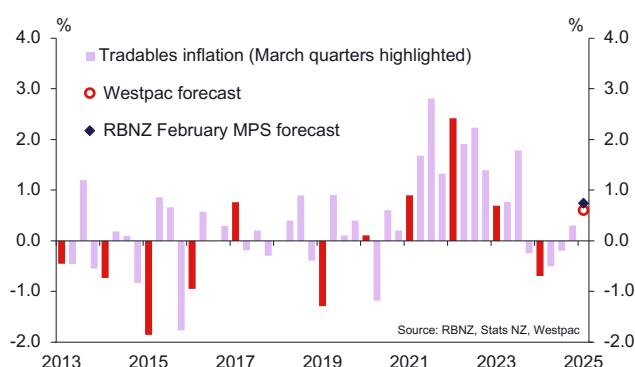
#### Quarterly CPI inflation



#### Quarterly non-tradables inflation



#### Quarterly tradables inflation



# CONTACT

**Westpac Economics Team** | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

**Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

**Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

**Darren Gibbs**, Senior Economist | +64 9 367 3368 | +64 21 794 292 | [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

**Michael Gordon**, Senior Economist | +64 9 336 5670 | +64 21 749 506 | [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

**Paul Clark**, Industry Economist | +64 9 336 5656 | +64 21 713 704 | [paul.clark@westpac.co.nz](mailto:paul.clark@westpac.co.nz)

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

# DISCLAIMER

## Things you should know.

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ("Westpac").

## Disclaimer.

This material contains general commentary, and market colour. The material does not constitute investment advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

## Country disclosures.

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz).

**China, Hong Kong, Singapore and India:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

**UK:** The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

### **Investment recommendations disclosure.**

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- (i) Chinese Wall/Cell arrangements;
- (ii) physical separation of various Business/Support Units;
- (iii) and well defined wall/cell crossing procedures;
- (iv) a "need to know" policy;
- (v) documented and well defined procedures for dealing with conflicts of interest;
- (vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

**U.S:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ("the Exchange Act") and member of the Financial Industry Regulatory Authority ("FINRA"). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

