

# Research Economy Watch

16 December 2025

## Familiar themes in monthly inflation indicators

- **Balance of monthly prices as expected**
- **Nothing to alter our CPI forecasts**
- **Food price inflation elevated, but easing**
- **Energy prices significantly higher than a year ago**
- **Annual rent inflation slowest since 2010**

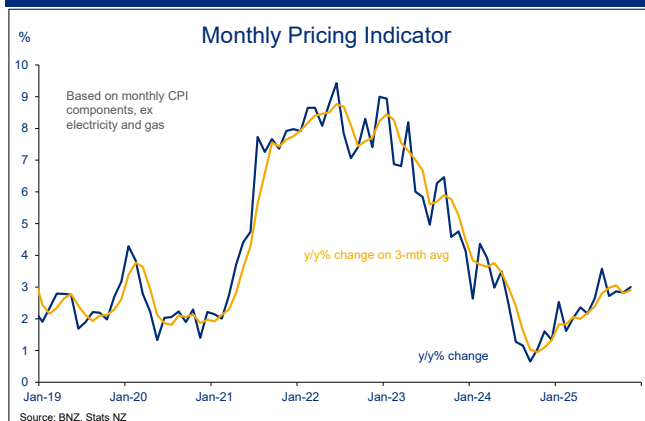
Our main interest in today's November Selected Prices was if they had any material influence of our thoughts for near term CPI. In short, they didn't.

There were some unders and overs in the details, but overall, the monthly indicators were in line with our expectations.

Our forecast for Q4 CPI remains at 0.3% q/q and 2.8% y/y. Near term inflation remains on the watch list. The prospect of annual inflation edging back a touch from Q3's 3.0% remains our base case. It remains dependent on December's monthly prices as well as prices for the remaining 53%+ of the CPI index not currently covered by the monthly indicators.

As it stands, our forecast remains a tick above the RBNZ's forecast 0.2% q/q and 2.7% y/y in its November MPS. There is not much in that.

### On the watch list



There were some familiar themes in the monthly prices. Annual energy price inflation remains very high, food price inflation is elevated but easing, rent inflation continues to ease to new multi-year lows.

Annual food price inflation was 4.4% in November, a tad lower than 5.0% a few months back. Our forecasts include further easing over the year ahead.

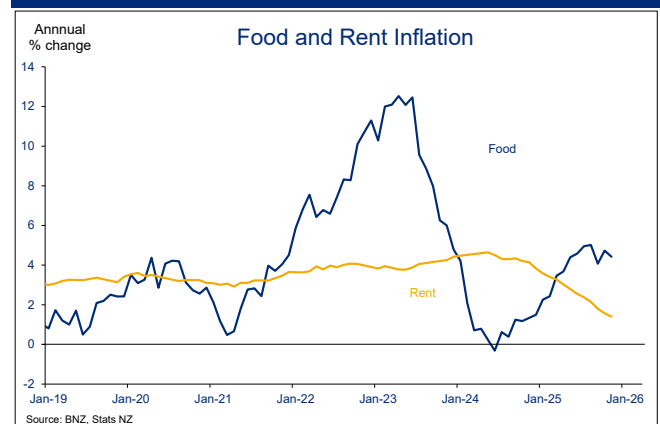
Energy prices are significantly higher than a year ago. Electricity prices are up 12.3% y/y, while gas prices have increased 17.3% y/y. Both are higher than in October.

Rents remain subdued month to month, with a modest 0.1% gain in the stock measure in November. Annual rent inflation has eased to 1.4%, its slowest rate since 2010. We have long thought annual rent inflation would ease and we still think it has further to go.

This view is supported by the flow measure of rents (think new rentals) that Stats NZ resumed publication of today. Annual rent inflation on that measure was 0.5% y/y in November. This suggests annual inflation in the stock measure of rents – the one that more directly feeds into the CPI – has further downside ahead.

Subdued rent inflation fits with a generally subdued housing market as depicted in this morning's November housing report from REINZ. The house price index was largely unchanged, down 0.2%, from a year earlier in November.

### Food and shelter



For the month, there were some unders and overs relative to our assumptions.

On the top side, energy prices, including fuel, rose a bit more than we had built in. Overseas accommodation prepaid in NZ fell by less than expected.

These were offset by airfares, both domestic and international, rising by less than we had assumed. The 0.4% m/m dip in food prices was close to what we have pencilled in, albeit a tick softer.

Monthly price movements are volatile. Looking through the noise, there was nothing in today's release to alter our broader thoughts on inflation.

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