

16 June 2026

Q2 CPI Still Looks No Higher Than RBNZ Forecast

- **Food prices lift in May**
- **Nudging our Q2 CPI estimate up to 1.5% q/q**
- **Rents fall; annual rental inflation approaching zero**
- **Fuel prices drop from highs, more declines coming**
- **Q2 CPI still looks no higher than RBNZ forecast**

Volatility seems assured in the monthly Selected Price Indexes. There was a bit more of it in today's figures for May. After being surprised on the downside last month, the balance of May price movements was a touch stronger than we had pencilled in.

The balance of today's indicators sees us nudge our Q2 CPI estimate up to 1.5% q/q, from 1.4% q/q. This would see annual inflation at 4.1% in Q2.

Today's data supports our view that Q2 CPI inflation will be no higher than the RBNZ's 1.6% q/q and 4.2% y/y projection in its May MPS.

Of course, the Q2 outcome is still dependent on the June monthly results (and the rest of the CPI that is not covered by the monthly indicators).

Most of the surprise today was in food prices. We had assumed a flat outcome in May, as was the case in April. However, food prices rose 1.0% m/m lifting their annual inflation to 3.2%. There were solid monthly gains in vegetables, groceries, and restaurant meals and ready to eat food.

Other price movements in May were much closer to our priors.

Rents eased 0.1% m/m, close to our flat expectation for the month. This sees annual rent inflation continue to approach zero. It was 0.3% in May.

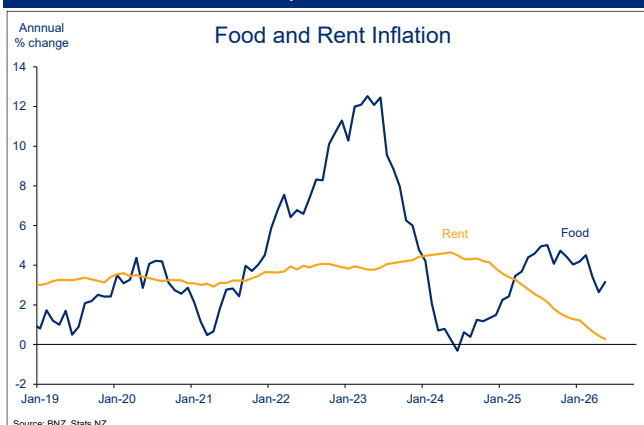
We were braced for potential surprises in airfares and accommodation prices. While there were some large monthly movements, the net of them all were not too far from our expectations.

We thought airfares would fall like they tend to do at this time of year, but not by as much as they usually do. That turned out to be the case. Domestic airfares dropped 11.4% m/m, while international airfares fell 5.5% m/m. Despite the large monthly declines, annual inflation in these components turned positive, up 2.8% y/y and 8.2% y/y respectively.

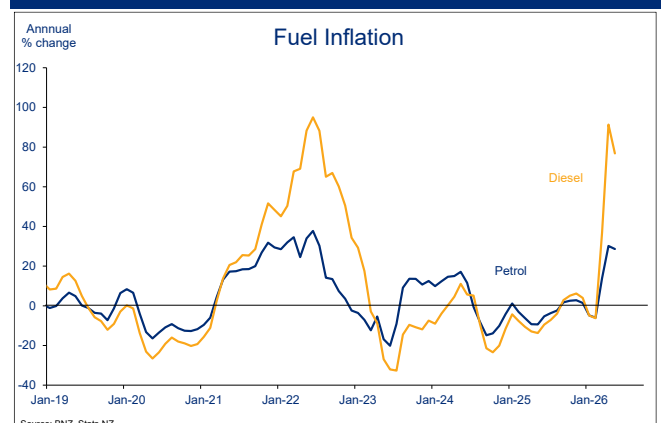
Total accommodation services rose 3.4% m/m. Overseas accommodation prepaid in New Zealand rose while domestic accommodation prices fell as expected. The former rose a bit more than we had plugged in giving a mild upside surprise from this component.

Fuel prices fell as anticipated. Petrol dropped 3.8% m/m and diesel slumped 11.4% m/m, taking the edge off very high annual inflation in these components after strong gains in previous months. The fuel price drops were close to our expectations.

Food inflation ticks back up; rental inflation near zero



Fuel inflation to fall further



Our forecasts include further material fuel price declines. The latest deal between the US and Iran to stop hostilities and reopen the Strait of Hormuz support the case for further declines in fuel prices at the pump. But we, along with everyone else, will continue to monitor developments and alter our projections if needs be.

doug_steel@bnz.co.nz

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore St
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.