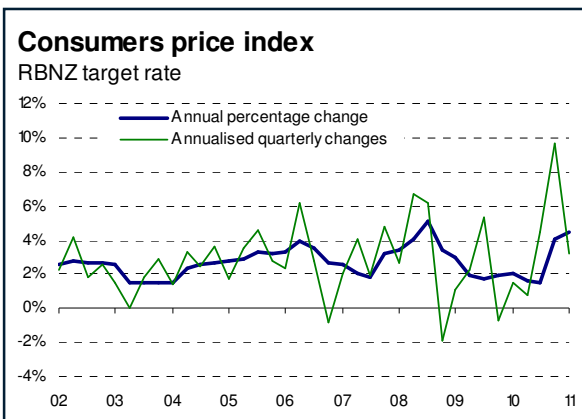




	Mar-11	Dec-10	Sep-10	Jun-10
<b>Headline inflation</b>				
Quarter on previous quarter	0.8%	2.3%	1.1%	0.2%
Annual % change	4.5%	4.0%	1.5%	1.7%
<b>Subgroups - annual % changes</b>				
Transport	8.2%	6.6%	3.7%	5.8%
Housing	4.0%	3.8%	2.4%	1.7%

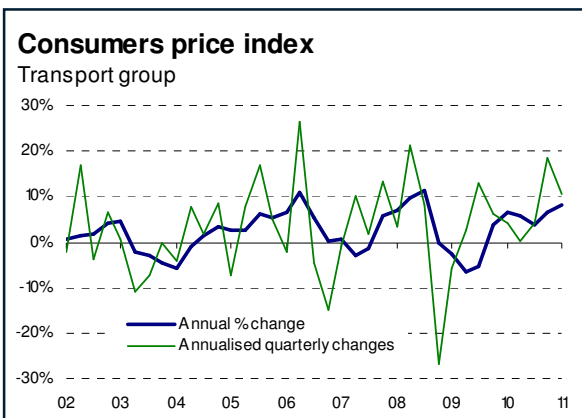
*Data source: Statistics New Zealand*



### Petrol, food, tobacco prices spike

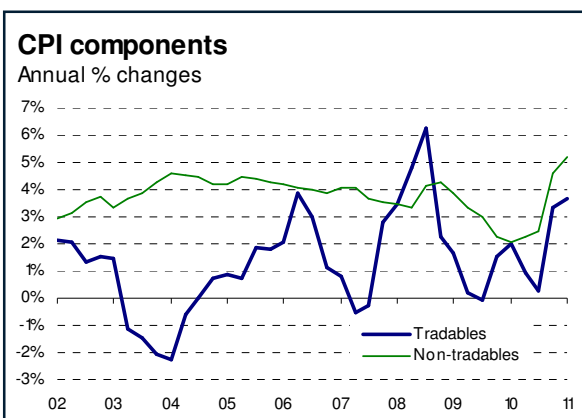
The CPI rose by 0.8% in the March quarter as a result of higher prices for petrol and food and an increase in excise duty on tobacco products. But with unemployment elevated, we expect underlying price growth to remain moderate during 2011.

The main contributor to the increase in prices during the March quarter was the increase in petrol costs up 9.4% from December. Unrest in North Africa and the Middle East has seen the price of crude oil spike over US\$120/bl.



Education costs rose 5.7% in the March quarter as education providers set fees for the new year that included the increase in GST from October 1. Even so, the higher fees accounted for less than 0.1 percentage points of the total increase in the CPI in the quarter.

With the domestic economy remaining weak the price of retail products has continued to decline – with the cost of durable goods, clothing, and footwear all falling. On top of this, a seasonal decline in international travel prices helped to hold down growth in consumer prices.



The February Christchurch earthquake had little discernible impact on the CPI result, given that most of the data had already been collected prior to February 22. Cost pressures stemming from the quake may start to appear in the June result.

The increase in consumer prices in March was in line with Reserve Bank expectations. With the New Zealand economy continuing to struggle with high unemployment and the after-effects of the Canterbury earthquakes, we expect inflationary pressures to remain constrained. As a result, the Reserve Bank is unlikely to face much pressure to lift the official cash rate before the end of 2011.