Pūtake Labs

# Where could the cost of living go next?

How fuel, food, energy, trade and interest-rate pressures could change costs for New Zealand households and small businesses over the next 12 months

**Topic**
Households and business costs

**Data current to**
Early November 2026

**Published**
November 2026

INDEPENDENT PUBLIC INVESTIGATION · NOVEMBER 2026

This is independent analysis built from public data. No organisation commissioned it, and no organisation named here has reviewed or endorsed it. Price data comes from Stats NZ and other published sources. The scenarios and the small business modelled are assumptions, set out in full. Scenarios are tested possibilities, not forecasts, and this is not financial or investment advice.

SUMMARY

# The next shock matters more than who you are.

WHAT THE ANALYSIS SHOWS

**Over the next year, the path of oil, the dollar and interest rates matters far more to household costs than the type of household. A renewed external shock would roughly double cost growth for every group, and a small business that cannot pass costs on would lose most of its margin.**

**2.4%**
Cost growth for the average household over the next year if current conditions continue (about $42 a week)

**5.6%**
The same under an external cost shock (about $98 a week)

**0.9%**
The same if pressures ease (about $15 a week)

**$50**
Weekly fuel support for about 143,000 working families, due to end by 31 March 2027

## THE QUESTION

Inflation is 3.7%, above the 1% to 3% target, and petrol hit a record of about $3.50 a litre in October. Unemployment is 5.7% and wages are rising about 2% a year. How much worse, or better, could living costs get, and for whom?

## WHAT WE FOUND

- **Fuel and the dollar drive the range.** Petrol alone moves average cost growth by more than a point.
- **Essentials hit lower-spending households.** Under a shock, they make up about 66% of their cost increase.
- **Superannuitants face the most pressure** in the baseline, from rates and power.
- **Wages barely keep pace in the baseline** and fall well behind in a shock.

## WHAT DECISION-MAKERS SHOULD DO

- Households: plan for the baseline, but know your exposure to fuel and refixing mortgages.
- Eligible families: budget for the $50 fuel support ending.
- Businesses: test pricing and margins against a fuel and freight shock now.
- Councils and providers: watch rates and power for older, fixed-income households.
- Support agencies: target essentials, where low-income households have no room to cut.

The scenarios are set out on page 4. Every public source is listed on page 10.

CURRENT POSITION

# Inflation has eased, but the pressure has shifted, not gone.

Headline inflation has come down from its June peak, but the conflict in the Middle East has kept fuel prices high, the dollar has weakened, and the Reserve Bank is under pressure to raise rates while the job market softens.

| INDICATOR | LATEST POSITION | WHY IT MATTERS |
|---|---|---|
| Consumers price index | 3.7% (Sep quarter) | Down from 4.1% in June. Without petrol it would have been 3.2%. The Reserve Bank expects about 4.4% in the December quarter. |
| Household living costs (HLPI) | 3.0% average | Lower than the CPI because falling mortgage interest offsets fuel. Superannuitants 4.0%, lowest-spending 3.6%, highest-spending 2.5%. |
| Petrol | +19.1% in a year | 91 petrol hit a record of about $3.50 a litre in early October. Diesel rose about 46% in the year to August. |
| Food prices | +2.4% (Sep) | Well below the 4% to 5% of late 2025. Groceries up 3.0%, fruit and vegetables down 1.8%. |
| Electricity and rates | +9.3% and +6.2% | Rates are counted once a year in the September quarter and rose 8.8% the year before. |
| Official cash rate | 2.75% | Held on 28 October by a 4 to 3 vote, with three members favouring an increase. The next statement is due 9 December. |
| New Zealand dollar | About 56 US cents | Down about 7% since August, which raises the cost of imported fuel and goods. |
| Labour market | 5.7% unemployed | 174,000 people, the highest rate since 2015. Annual wage growth (LCI) is about 2.1%. |
| Temporary fuel support | $50 a week | Added to the In-Work Tax Credit for about 143,000 families from April 2026. It ends on 31 March 2027, or earlier once 91 petrol stays below $3 a litre for four weeks. |

Sources are listed on page 10. HLPI: Stats NZ household living-costs price indexes, which include interest payments; the CPI does not.

EVIDENCE

# What the public record supports, and what it does not.

### FUEL AND THE DOLLAR

New Zealand imports all its refined fuel, mostly from Asian refiners whose prices follow global benchmarks. Pump prices therefore move quickly with oil, refining margins, shipping and the exchange rate. Fuel companies report petrol demand down about 6% through the middle of 2026, so households are already cutting back where they can.

### WHO FEELS IT

Stats NZ's household living-costs indexes show the same prices land very differently. Rent is about 30% of beneficiary households' spending against about 5% for the highest-spending households. Rates are about 8% of superannuitants' spending. Interest payments are about 12% of highest-spending households' spending, so they gain most when rates fall and lose most when rates rise.

### HOW WELL OUR MODEL FITS

We tested the model by feeding in actual price changes for the year to September 2026. It reproduces Stats NZ's published results within 0.4 points for five of six groups. It understates the highest-spending group (1.7% against 2.5%) because it does not separate out international airfares and health insurance, which rose sharply.

### WHAT THE PUBLIC DATA CANNOT TELL US

- Where oil prices go next. We use scenarios, not forecasts.
- Some household spending weights. Those marked as estimates on page 4 are our own, so actual weights may differ.
- How much businesses can pass on. It varies by sector and competition.

### EVIDENCE STRENGTH

**STRONG** Current prices, inflation by household group, labour market data.

**MODERATE** How fuel and the dollar pass through to other prices.

**WEAK** Oil and exchange rate paths, and business pass-through.

SCENARIOS

# Three paths for the next 12 months.

The baseline is what happens if nothing changes. We hold household spending patterns fixed and change prices.

| SCENARIO | WHAT WE ASSUME |
|---|---|
| **Baseline** | Current conditions continue: oil prices stay near current futures pricing, the dollar stays near 56 US cents and the OCR rises modestly. 91 petrol averages about $3.30 a litre. |
| **External cost shock** | Shipping through the Strait of Hormuz is disrupted again: oil rises about 40%, the dollar falls to about 52 US cents, diesel and freight costs flow into food and goods, and interest rates rise further. 91 petrol averages about $4.00. |
| **Easing pressures** | Shipping normalises: oil falls back towards pre-conflict levels, the dollar recovers to about 59 US cents, and interest rates stay near current levels. 91 petrol averages about $2.85. |

### ASSUMED PRICE CHANGES OVER THE NEXT 12 MONTHS

| SCENARIO | FOOD | PETROL | ELECTRICITY | RENT | LOCAL RATES | INTEREST | EVERYTHING ELSE |
|---|---|---|---|---|---|---|---|
| Baseline | +3.0% | -3.0% | +6.0% | +1.5% | +6.0% | +0.0% | +2.5% |
| External cost shock | +6.5% | +18.0% | +9.0% | +2.0% | +7.0% | +12.0% | +4.0% |
| Easing pressures | +1.5% | -15.0% | +4.0% | +1.0% | +5.0% | -4.0% | +1.8% |

### SHARE OF HOUSEHOLD SPENDING (%)

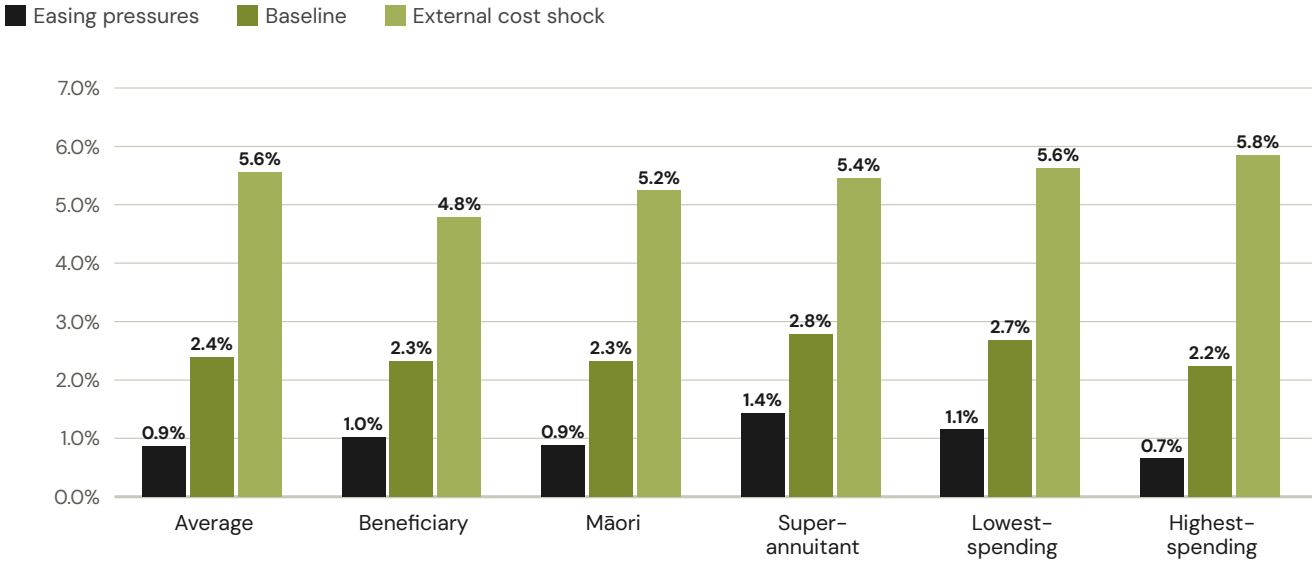
| HOUSEHOLD GROUP | FOOD | PETROL | ELECTRICITY | RENT | LOCAL RATES | INTEREST |
|---|---|---|---|---|---|---|
| Average household | 19.6 | 3.8[d] | 3.7 | 13.1 | 4.4 | 6.0[e] |
| Beneficiary | 20.8 | 3.5[e] | 5.0 | 29.5 | 1.5[e] | 1.0[e] |
| Māori | 20.0 | 3.8[e] | 3.7 | 19.0[d] | 2.8[d] | 4.0[e] |
| Superannuitant | 19.8 | 3.5[e] | 4.7 | 5.0[e] | 8.3 | 1.0[e] |
| Lowest-spending | 22.1 | 4.5[e] | 6.9 | 15.0[e] | 8.0[d] | 2.0[e] |
| Highest-spending | 15.3 | 3.0[e] | 1.9 | 5.1 | 3.0 | 12.0 |

Stats NZ 2024 HLPI weights unless marked. [d] derived from Stats NZ's published contributions to inflation. [e] our estimate. Everything else makes up the remainder.

COMPARATIVE FINDINGS

# A shock would roughly double cost growth for every group.

Annual growth in living costs over the next 12 months, by household group and scenario.




| HOUSEHOLD GROUP | EASING PRESSURES | BASELINE | EXTERNAL COST SHOCK |
|---|---|---|---|
| **Average household** | 0.9% | 2.4% | 5.6% |
| **Beneficiary** | 1.0% | 2.3% | 4.8% |
| **Māori** | 0.9% | 2.3% | 5.2% |
| **Superannuitant** | 1.4% | 2.8% | 5.4% |
| **Lowest-spending** | 1.1% | 2.7% | 5.6% |
| **Highest-spending** | 0.7% | 2.2% | 5.8% |

### IN THE BASELINE, SUPERANNUITANTS FACE THE MOST PRESSURE

At 2.8%, mainly from rates and electricity, which make up a larger share of their spending and do not fall when interest rates do. Most own their homes, so they get little relief from falling mortgage rates.

### UNDER A SHOCK, THE GAP BETWEEN GROUPS NARROWS

Every group lands between 4.8% and 5.8%. The highest-spending households are hit through interest costs; the lowest-spending through food, petrol and power. The percentages are similar, but the room to absorb them is not.

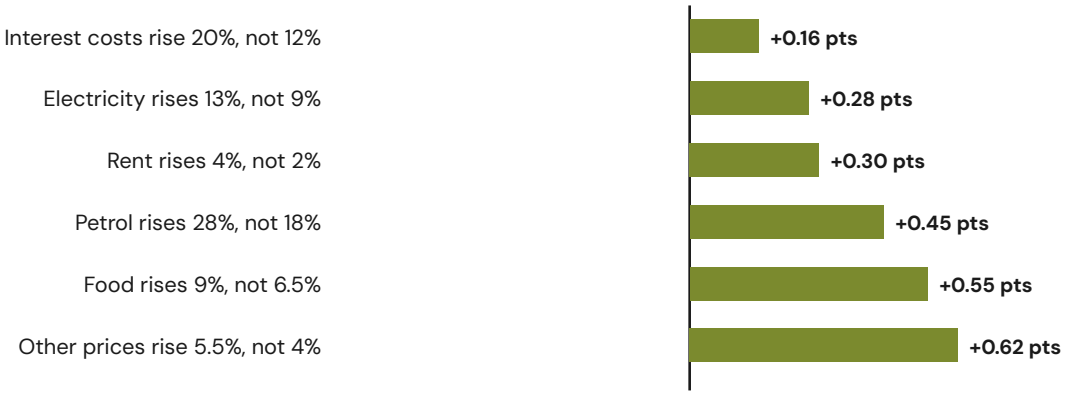
WHERE THE PRESSURE COMES FROM

# For low-spending households, a shock is about essentials.

What makes up the cost increase under an external cost shock, for the lowest- and highest-spending households (percentage points).

| DRIVER | LOWEST-SPENDING | HIGHEST-SPENDING |
|---|---|---|
| **Food** | 1.44 | 0.99 |
| **Petrol** | 0.81 | 0.54 |
| **Electricity** | 0.62 | 0.17 |
| **Rent** | 0.30 | 0.10 |
| **Local rates** | 0.56 | 0.21 |
| **Interest** | 0.24 | 1.44 |
| **Everything else** | 1.66 | 2.39 |
| **Total** | **5.6%** | **5.8%** |

SENSITIVITY: LOWEST-SPENDING HOUSEHOLDS UNDER A SHOCK (5.6%)

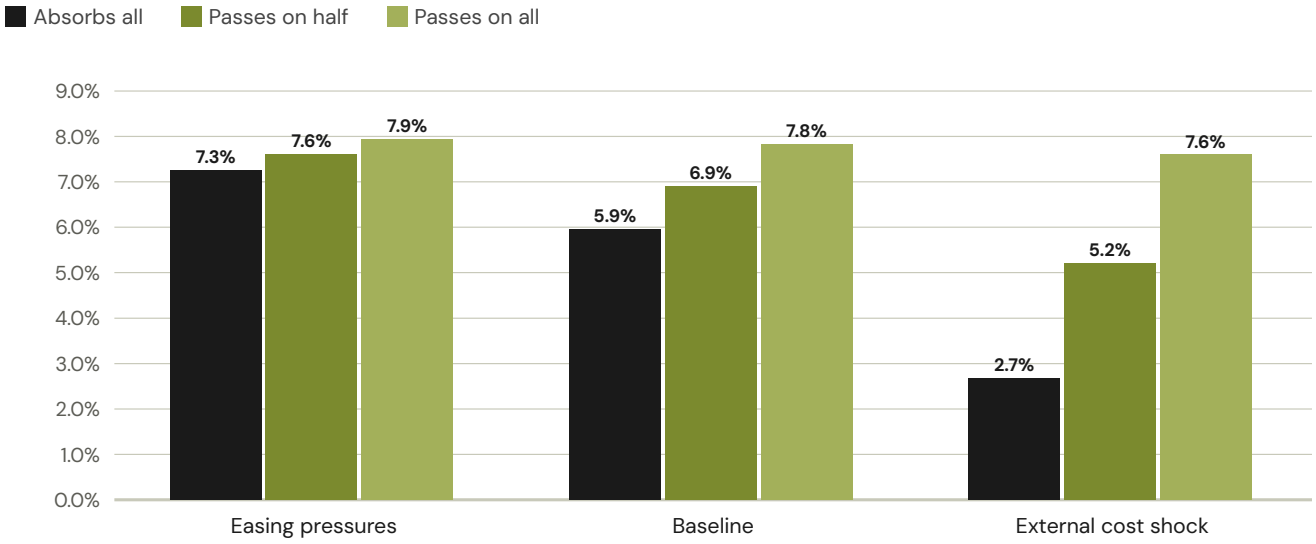



Each bar shows how much higher cost growth would be if one price rose further. Food and the general price level matter as much as petrol, because a fuel shock flows through freight into everything else.

BUSINESSES

# Small businesses are squeezed between costs and weak demand.

We model an illustrative small business with an 8% operating margin and a typical mix of costs: wages 34%, goods and materials 36%, fuel and freight 6%, energy 3%, premises 7%, interest 3% and other overheads 11% (estimates).




Operating margin after 12 months, depending on how much of the cost increase the business passes on in prices. Total costs rise 0.8% if pressures ease, 2.2% in the baseline and 5.8% under a shock.

### A SHOCK REMOVES TWO-THIRDS OF THE MARGIN

If the business absorbs a shock entirely, its margin falls from 8% to about 2.7%. Passing on half leaves about 5.2%. With unemployment at 5.7% and households already cutting back, passing on all of it is unlikely in most sectors.

### FUEL AND FREIGHT MATTER MORE THAN THEIR SHARE

Diesel rose much faster than petrol in 2026. Transport, construction, farming and retail businesses with long supply chains carry more than the 6% assumed here. Wage pressure, by contrast, is subdued, which gives some relief.

WHO DECIDES AND WHO IS AFFECTED

# Many hands on the levers, none on the oil price.

## WHO DECIDES

- **The Reserve Bank** sets the OCR, which drives mortgage and business borrowing costs.
- **The Government** sets fuel taxes, targeted support such as the In-Work Tax Credit boost, and benefit and superannuation settings.
- **Local councils** set rates, a large and rising cost for homeowners, especially older ones.
- **The Commerce Commission** monitors fuel and grocery markets.
- **Electricity retailers and the Electricity Authority** shape power prices.
- **Businesses and landlords** decide how much of their costs to pass on.

## WHO IS AFFECTED

- **Low-income and beneficiary households**, with the least room to cut spending.
- **Superannuitants**, on fixed incomes and exposed to rates and power.
- **Mortgage holders** refixing in 2027, if rates rise.
- **Rural households and businesses**, which drive further and depend more on diesel.
- **Pacific households**: nearly one in three Pacific children lives in material hardship, about double the national average.

## KAUPAPA MĀORI CONSIDERATIONS

- **Housing.** Māori households rent more than average, so rent makes up a larger share of their costs than for the average household.
- **Jobs.** Māori unemployment is higher than the national rate, so a weaker job market reduces income just as costs rise.
- **Whānau and regions.** Larger households and regional living mean more exposure to food and fuel costs.
- **Collective response.** Iwi, hapū and Māori organisations often provide kai, fuel and financial support in hard times. Scenario information can help them plan where demand for that support may rise.
- **Data.** Stats NZ publishes a separate Māori household index, which allows these effects to be tracked.

### QUESTIONS TO ASK

- How exposed is our household or business to a fuel shock?
- When does our mortgage or loan refix?
- What happens to our budget when temporary support ends?

RISKS, LIMITATIONS AND IMPLICATIONS

# What this analysis can and cannot tell you.

## LIMITATIONS

- **Fixed spending patterns.** Households change what they buy when prices rise; we do not model this, so results show pressure before people adjust.
- **Averages within groups.** Costs vary widely within each group, by region and household size.
- **Some estimated weights.** Marked on page 4; actual weights may differ.
- **Assumed price paths.** The scenarios are not forecasts.
- **Income not modelled.** We look at costs, not wages, benefits or tax changes.
- **Data current to early November 2026.** Policy may change after the general election.

## MAIN RISKS TO THE FINDINGS

- A longer or deeper disruption to fuel supply than the shock tested.
- A sharper fall in the dollar, raising all imported prices.
- A domestic shock, such as a dry-year electricity price spike.

## IMPLICATIONS FOR DECISION-MAKERS

1. **Plan for the baseline, prepare for the shock.** Know which costs would move first and by how much.
2. **Watch the support cliff.** The $50 fuel support ends by 31 March 2027. For eligible families, that is more than the average household's baseline cost increase.
3. **Target essentials.** Support aimed at food, power and transport reaches the households with least room to cut.
4. **Mind older homeowners.** Rates and power rises fall hardest on fixed incomes.
5. **Businesses: protect margin early.** Review pricing, fuel and freight contracts, and refinancing dates now.

METHODOLOGY AND SOURCES

# How this investigation was put together.

## METHOD

Public data was gathered with AI-assisted research and checked against original releases from Stats NZ, the Reserve Bank, MBIE and the Treasury. Cost growth for each household group is the sum of assumed price changes weighted by that group's share of spending, using Stats NZ's 2024 HLPI weights where published. The model was back-tested against actual price changes in the year to September 2026. Three scenarios, including no change in current conditions (the baseline), were tested over 12 months. The business example applies the same scenarios to an illustrative cost mix. Sensitivities move one price at a time.

## REVIEW

Reviewed by a Pūtake Labs principal before publication. Every figure is traced to a public source or to a stated assumption.

Pūtake Labs provides independent decision analysis. This investigation is not financial or investment advice. Scenarios are tested possibilities, not forecasts. No organisation named here commissioned or endorsed it.

**putakelabs.co.nz** · kiaora@putakelabs.co.nz

## SOURCES


- Stats NZ: Consumers price index, September 2026 quarter; Household living-costs price indexes, September, June and March 2026 and December 2025 quarters; Household living-costs price indexes review 2024 (expenditure weights); Selected price indexes, August and September 2026; Labour market statistics, September 2026 quarter; Household Economic Survey, year ended June 2023. stats.govt.nz
- Reserve Bank of New Zealand: Monetary Policy Statement, May 2026; Monetary Policy Review, 28 October 2026; speech on oil shocks and price setting, July 2026. rbnz.govt.nz
- The Treasury: Cabinet paper and minute, Temporary Fuel Support Measures: Next Steps (August 2026). treasury.govt.nz
- MBIE: weekly fuel price monitoring and price for fuel response support. mbie.govt.nz
- Commerce Commission: fuel price monitoring (2026). comcom.govt.nz
- Government announcement on the In-Work Tax Credit fuel support (March 2026).
- ANZ Research: Labour Market Review Q3 2026 and Weekly Fuel Market Watch; Westpac: labour market first impressions, Q3 2026.
- Reporting by RNZ, 1News, NZ Herald, ODT and interest.co.nz on fuel prices, the HLPI and Pacific household hardship (2025 and 2026).