

Fruit and veges cost more – ONE News, 17 April 2009

Your grocery bill is getting bigger according to the latest official figures but there could be an upside as more pressure goes on the Reserve Bank to lower interest rates.

Latest figures from Statistics New Zealand show the rate of inflation is continuing to slow after reaching an 18 year high of 5.1% last September.

The Consumer Price Index, which measures how much we pay for products, has fallen to 3.0% but the price of food items remains high and in the March quarter food and cigarette prices led to a small increase in inflation.

Many consumers are caught in a pay freeze and the increase in food items has them feeling the pinch.

And as the tills ring up increasing costs for groceries at checkout, people are increasingly ringing up for help.

Raewyn Fox from Family Budgeting Services says people are telling them that traditionally they expect wages to go up a little bit each year and that goes into their food budgets.

While the overall rate of inflation fell to 3% over the past year, the cost of food went up 1.2% in the March quarter and consumers are paying 8.8% more than last year.

The biggest hikes were for grocery items, with fruit and vegetables alone up more than 12%.

The cost of electricity shot up 7.5%.

"The price rises that we've been seeing in the past have been putting a lot of pressure on consumers...with inflation now falling, that's going to obviously be more beneficial for consumers," says ANZ's National economist Philip Borkin.

Currently bank accounts are benefiting from lower prices at the pump, cheaper stereos and television sets and international travel.

But away from the supermarket aisles, consumers still seem reluctant to spend.

The figures will be food for thought for Reserve Bank Governor Allan Bollard when he sets the next official cash rate in a couple of weeks. Many are expecting it to drop about half a percent below the current rate of 3%.

Inflation is also set to continue to drop which should help our wallets further.