

# SURVEY OF EXPECTATIONS

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*This article, prepared by Rozanna Koliijn and Sean Comber, presents the results from the September quarter 1991 Reserve Bank of New Zealand Survey of Expectations.*

## Introduction

The RBNZ Survey of Expectations for the September quarter 1991 was conducted on Wednesday, 14 August 1991. Note that the results of the survey represent expectations held by respondents and in no way represent views or forecasts of the Reserve Bank.

## Sample Composition

The response rate for this quarter was 70 per cent, with 177 of the 254 respondents in this quarter's sample having returned their completed questionnaires by the cut-off date.

Of the respondents whose completed questionnaires were received by the cut-off date, the distribution across activity groups was:

Financial	..	64
Business	..	68
Agriculture	..	23
Labour	..	7
Other	..	15
TOTAL	..	177

## Summary of Results

- **Perceptions of tighter monetary conditions.**

Monetary conditions are now perceived to be tighter than last quarter, although expectations for the quarter ahead remain largely unchanged. Some 54 per cent of respondents now consider current monetary conditions to be tighter than neutral, an increase on the 45 per cent measured in the previous survey. Monetary conditions are expected to ease over

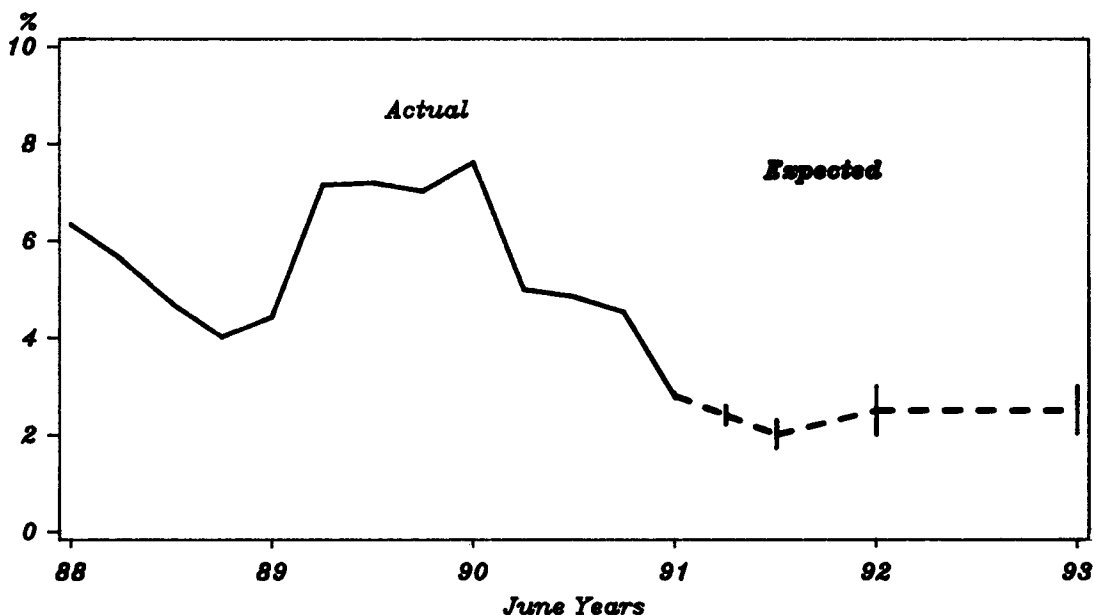
the quarter ahead, with 36 per cent of respondents expecting conditions to be tighter than neutral by the end of December 1991. A further easing in monetary conditions is expected by the end of June 1992, although slightly fewer respondents now expect this to occur than was the case in the June quarter survey.

Respondents continue to anticipate a slowing in M3 growth over both the current year and the year ahead. M3 is now expected to increase by 6.7 per cent in the year to September 1991, and by 5.5 per cent in the year to June 1992.

- **Year-ahead inflation expectations continue to fall.**

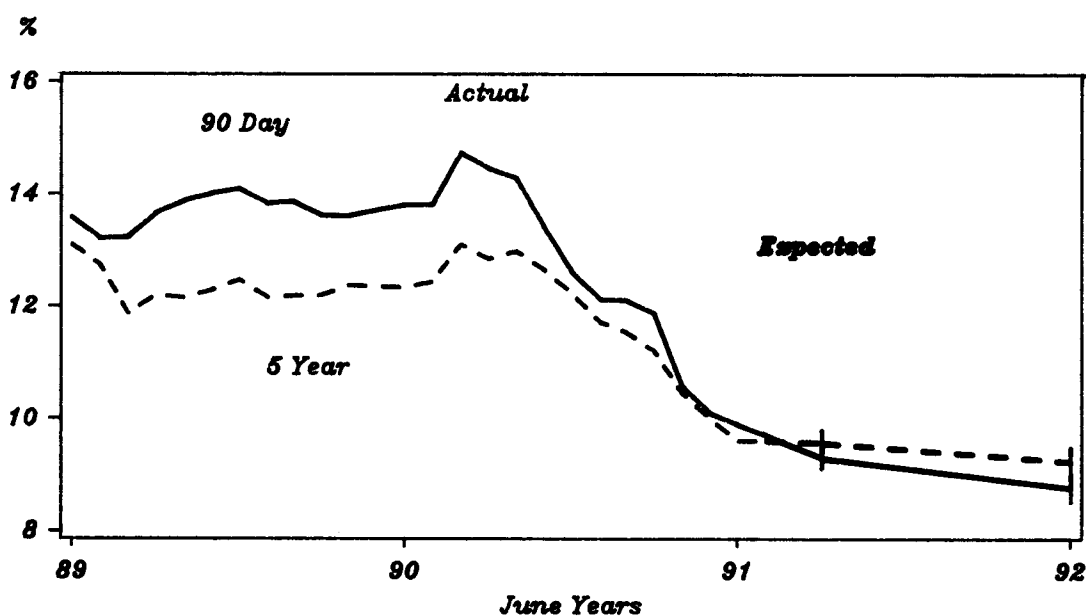
Respondents expect the CPI to increase by 0.6 per cent in both the September and December 1991 quarters, marginally less than the 0.6 per cent and 0.7 per cent expected in the June survey. These quarterly movements imply annual inflation rates of 2.4 per cent in the year to September 1991 and 1.9 per cent in the year to December. Despite the likely impact on inflation of various Budget-related price increases, year-ahead inflation expectations have fallen since the previous survey. CPI inflation is now expected to be 2.5 per cent in the year to June 1992, compared to a year-ahead inflation expectation of 3.0 per cent in the June quarter survey. Respondents now expect CPI inflation to remain at 2.5 per cent in the year to June 1993.

**Figure 1.**  
**Actual and Surveyed Expectations of the Annual Percentage Change in the Consumer Price Index**



**Note: 25% of expectations fell above and below the band shown.**

**Figure 2.**  
**Actual and Surveyed Expectations of 90 Day**  
**Bank Bill and Five Year Government Stock Interest Rates**



*Note: 25% of expectations fell above and below the band shown.*

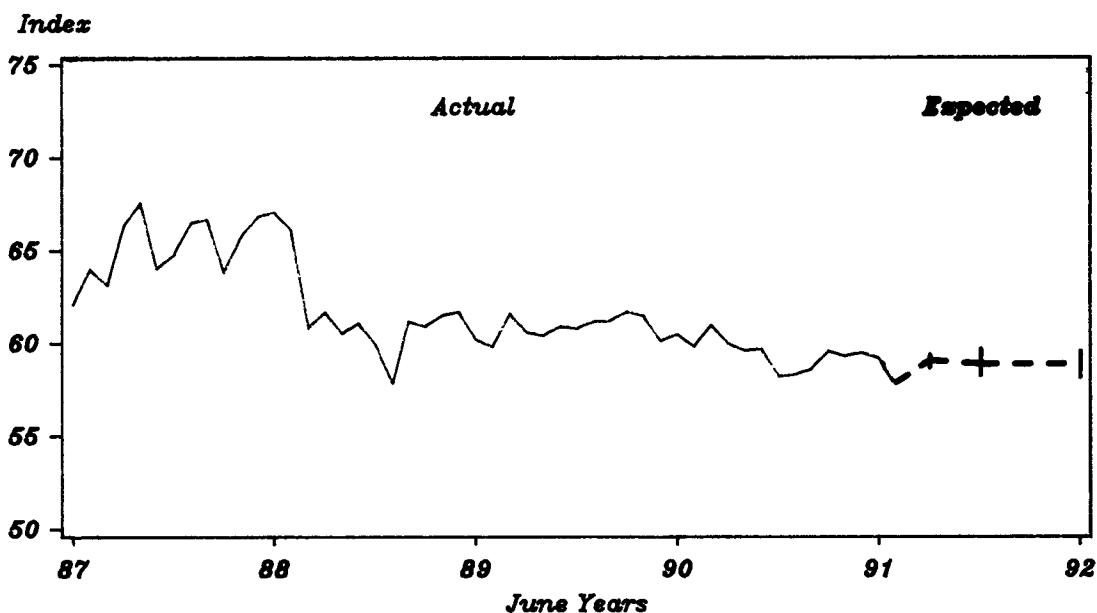
- Positive yield gap expected to widen over coming year.

Respondents expect short term interest rates to fall by slightly more than long term rates over the coming year. Rates for 90-day bills are expected to fall from 9.3 per cent at the end of September 1991 to 8.8 per cent by the end of June 1992. Government stock rates are expected to decline from 9.5 per cent to 9.2 per cent over the same period. As a result, respondents expect a positive yield gap of 0.2 per cent at the end of September 1991 to widen to 0.4 per cent by the end of June 1992.

- Smaller exchange rate depreciation now expected.

Respondents expect the New Zealand dollar to depreciate against most major currencies over the coming year. However, a strong appreciation is now expected against the Australian dollar. This contributes to a smaller expected decline overall in the TWI than anticipated in the June 1991 survey. A depreciation of 0.4 per cent is now expected in the TWI over the September quarter 1991, followed by a further decline of 0.3 per cent in the December quarter. In the year to June 1992, a decline of 0.6 per cent is expected, significantly less than the 1.7 per cent decrease previously anticipated for the year to March 1992.

**Figure 3.**  
**Actual and Surveyed Expectations of**  
**the RBNZ Trade Weighted Index**



**Note:** 25% of expectations fell above and below the band shown.

- **Real activity now expected to remain weak.**

Real GDP is expected to have declined in seasonally adjusted terms over the June quarter, and to record a further small decline during the current quarter. Overall, expectations of GDP growth over the coming year have fallen since the June survey, down from an increase of 0.5 per cent expected in the year to March 1992, to an increase of 0.1 per cent now anticipated in the year to June 1992.

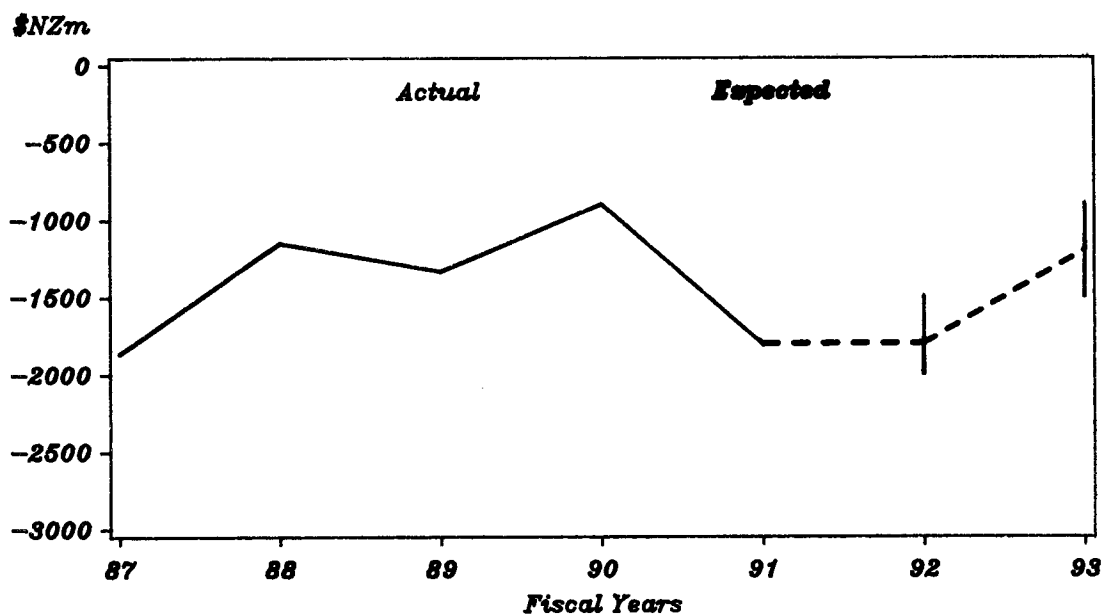
- **Current account expected to continue to improve.**

A current account deficit of \$2.1 billion is expected by respondents in the year to September 1991, down from the \$2.6 billion deficit previously anticipated for the year to June 1991. Further improvement is expected over the period to June 1992, with the current account deficit now anticipated to fall to \$1.7 billion over that period.

- **Fiscal deficit expectations revised following the Budget.**

The Government financial deficit is now expected to be \$1.9 billion in the year to June 1992, somewhat higher than the \$1.4 billion expectation for the same period in the last survey. In the year to June 1993, the financial deficit is now expected to fall to \$1.2 billion.

**Figure 4.**  
**Actual and Surveyed Expectations of**  
**the Budget Balance**



**Note:** 25% of expectations fell above and below the band shown.

- Wage increases expected to remain low.

Expectations of future wage increases remain largely unchanged from the June survey. The prevailing weekly wage rate index is expected to rise by 1.9 per cent in the June 1992 year, only slightly less than the year-ahead increase of 2.0 per cent anticipated in the previous survey.

- Sharp increase in unemployment expected.

Respondents have revised their expectations of the unemployment rate following higher than expected unemployment out-turns over the March and June quarters. The HLFS unemployment rate is now expected to be 10.4 per cent in the September quarter 1991, and to increase to 11.2 per cent in the June quarter 1992. This is significantly higher than the June quarter survey, in which an unemployment rate of 9.9 per cent was expected in the March quarter 1992.

The next RBNZ Survey of Expectations is tentatively scheduled for 30 October 1991, with results to be published in the December issue of the *Bulletin*.

## SURVEY OF EXPECTATIONS HISTORICAL RESULTS <sup>1</sup>

### Monetary Conditions:<sup>2</sup>

Q.1 What is your perception of monetary conditions at the present moment?

Survey Qtr	Very Tight			Neutral			Very Relaxed
	1	2	3	4	5	6	7
Sept. 1990	23.0	44.7	26.7	4.3	0.6	0.6	0.0
Dec. 1990	3.3	36.1	35.0	16.9	7.7	1.1	0.0
Mar. 1991	0.6	12.5	37.5	30.7	16.5	1.7	0.6
June 1991	1.0	7.1	37.1	34.5	15.2	4.6	0.5
Sept. 1991	1.1	10.9	42.3	26.9	17.1	1.7	0.0

Q.2 What expectation do you have for monetary conditions at the end of (reference quarter):

Survey Qtr	Reference Qtr	Very Tight			Neutral			Very Relaxed
		1	2	3	4	5	6	7
Sept. 1990	Dec. 1990	6.2	35.4	39.1	13.7	5.6	0.0	0.0
Dec. 1990	Mar. 1991	3.8	25.7	38.8	20.8	8.7	1.6	0.5
Mar. 1991	June 1991	0.6	8.5	33.0	33.5	22.7	1.7	0.0
June 1991	Sept. 1991	1.0	3.6	30.5	32.5	25.9	6.1	0.5
Sept. 1991	Dec. 1991	1.1	9.1	26.3	33.7	24.6	5.1	0.0
Sept. 1990	June 1990	5.0	16.1	44.7	22.4	10.6	1.2	0.0
Dec. 1990	Sept. 1991	2.2	15.9	37.9	25.8	14.8	2.7	0.5
Mar. 1991	Dec. 1991	0.6	6.3	25.0	42.0	21.6	4.5	0.0
June 1991	Mar. 1992	0.0	3.6	20.3	41.6	24.9	9.1	0.5
Sept. 1991	June 1992	1.1	3.4	23.4	33.7	30.3	6.9	1.1

Q.3 What is your expectation of the annual % change in the M3 money supply for the year to (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Mean	4.6	5.7	6.7	7.0	6.7
Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	5.1	5.4	5.6	5.9	5.5

### Prices:

Q.4 What quarterly % change do you expect in the Consumers Price Index (CPI) for the (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Mean	1.0	1.4	1.0	0.6	0.6

<sup>1</sup> The survey quarter refers to the quarter in which the survey was undertaken, while the reference quarter refers to the quarter (period ended or the quarter itself) for which the expectation was held.

<sup>2</sup> Results for questions 1 and 2 are in the form of percent of total responses in each category, while the remainder of the questions report the mean expectation

Reference Qtr	Dec. 90	Mar. 91	June 91	Sept. 91	Dec. 91
Mean	1.2	1.3	0.9	0.7	0.6

Q.5 What annual change do you expect in the Consumers Price Index (CPI) for the year to (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	4.7	5.2	4.2	3.0	2.5
Reference Qtr	June 92	Sept. 92	Dec. 92	Mar. 93	June 93
Mean	4.4	4.5	3.7	2.7	2.5

### Interest Rates:

Q.6 What do you expect the 90-day Bank Bill market yield to be at the end of the (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Mean	14.1	13.9	11.8	10.3	9.3
Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	13.3	13.1	11.2	9.6	8.8

Q.7 What do you expect the 5-year Government Security market yield to be at the end of (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Mean	12.6	12.9	11.4	10.2	9.5
Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	12.1	12.4	11.0	9.7	9.2

### Exchange Rates:

Q.8 Relative to the following currencies, what spot exchange rate do you expect for the New Zealand dollar and the end of (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
US Dollar					
Reference Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Mean	0.593	0.605	0.600	0.584	0.571
Reference Qtr	Dec. 90	Mar. 91	June 91	Sept. 91	Dec. 91
Mean	0.585	0.595	0.592	0.579	0.568

Reference Qtr Mean	June 91 0.575	Sept. 91 0.587	Dec. 91 0.584	Mar. 92 0.573	June 92 0.565
Australian Dollar Reference Qtr Mean	Sept. 90 0.756	Dec. 90 0.779	Mar. 91 0.768	June 91 0.754	Sept. 91 0.735
Reference Qtr Mean	Dec. 90 0.757	Mar. 91 0.774	June 91 0.767	Sept. 91 0.753	Dec. 91 0.738
Reference Qtr Mean	June 91 0.755	Sept. 91 0.768	Dec. 91 0.765	Mar. 92 0.752	June 92 0.741
Pound Sterling Reference Qtr Mean	Sept. 90 0.323	Dec. 90 0.312	Mar. 91 0.304	June 91 0.337	Sept. 91 0.337
Reference Qtr Mean	Dec. 90 0.323	Mar. 91 0.310	June 91 0.304	Sept. 91 0.333	Dec. 91 0.336
Reference Qtr Mean	June 91 0.323	Sept. 91 0.311	Dec. 91 0.304	Mar. 92 0.329	June 92 0.334
Japanese Yen Reference Qtr Mean	Sept. 90 89.1	Dec. 90 79.1	Mar. 91 77.3	June 91 80.6	Sept. 91 78.2
Reference Qtr Mean	Dec. 90 88.4	Mar. 91 78.1	June 91 76.8	Sept. 91 79.9	Dec. 91 78.2
Reference Qtr Mean	June 91 87.4	Sept. 91 77.6	Dec. 91 76.5	Mar. 92 79.0	June 92 78.1

Q.9 What quarterly % change do you expect in the Reserve Bank Trade Weighted Index (TWI) for the (reference) quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr Mean	Sept. 90 -0.1	Dec. 90 -0.6	Mar. 91 -0.4	June 91 -0.4	Sept. 91 -0.4
Reference Qtr Mean	Dec. 90 -0.5	Mar. 91 -0.6	June 91 -0.6	Sept. 91 -0.6	Dec. 91 -0.3

Q.10 What annual % change do you expect in the Reserve Bank Trade Weighted Index (TWI) for the year to (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr Mean	June 91 -1.6	Sept. 91 -2.3	Dec. 91 -2.0	Mar. 92 -1.7	June 92 -0.6



**Others:**

Q.11 What is your expectation of the seasonally adjusted quarterly % change in the real Gross Domestic Product ( GDP) index for the (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	June 90	Sept. 90	Dec. 90	Mar. 91	June 91
Mean	0.3	-0.3	-0.1	-0.2	-0.3
Reference Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Mean .	0.3	-0.1	-0.1	0.0	-0.1

Q.12 What is your expectation of the annual average % change in the real Gross Domestic Product (GDP) index for the year to (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	June 90	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	0.8	0.2	0.1	0.5	0.1

Q.13 What is your expectation of the External Balance of Payments on Current Account (in \$ billions) for the year to (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Mean	-3.3	-4.0	-0.4	-2.6	-2.1
Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	-3.0	-3.8	-3.8	-2.2	-1.7

Q.14 What is your expectation of the Government Financial Balance (in \$ billions) for the fiscal year to (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	June 91	June 91	June 91	June 91	June 92
Mean	-0.4	-1.3	-1.5	-1.7	-1.9
Reference Qtr	June 92	June 92	June 92	June 92	June 93
Mean	-1.2	-1.7	-1.3	-1.4	-1.2

Q.15 What is your expectation of the annual % change in the prevailing weekly wage rates index for the year to (reference quarter):

Survey Qtr	Sept. 90	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	4.3	3.3	2.8	2.0	1.9

Q.16 What is your expectation of the official HLFS unemployment rate for the (reference quarter):

Survey Qtr	Dec. 90	Mar. 91	June 91	Sept. 91
Reference Qtr Mean	Dec. 90 7.8	Mar. 91 8.8	June 91 9.6	Sept. 91 10.4
Reference Qtr Mean	Sept. 91 8.1	Dec. 91 9.3	Mar. 92 9.9	June 92 11.2

