

SURVEY OF EXPECTATIONS

This article, prepared by Sean Comber and Sean Newman, presents the results from the December quarter 1992 Reserve Bank of New Zealand Survey of Expectations.

Introduction

The RBNZ Survey of Expectations for the December quarter 1992 was conducted by MRL Research Group on Wednesday, 28 October 1992. 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 66 per cent, with 170 of the 257 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	..	59
Business	..	62
Agriculture	..	18
Labour	..	9
Other	..	22
TOTAL		170

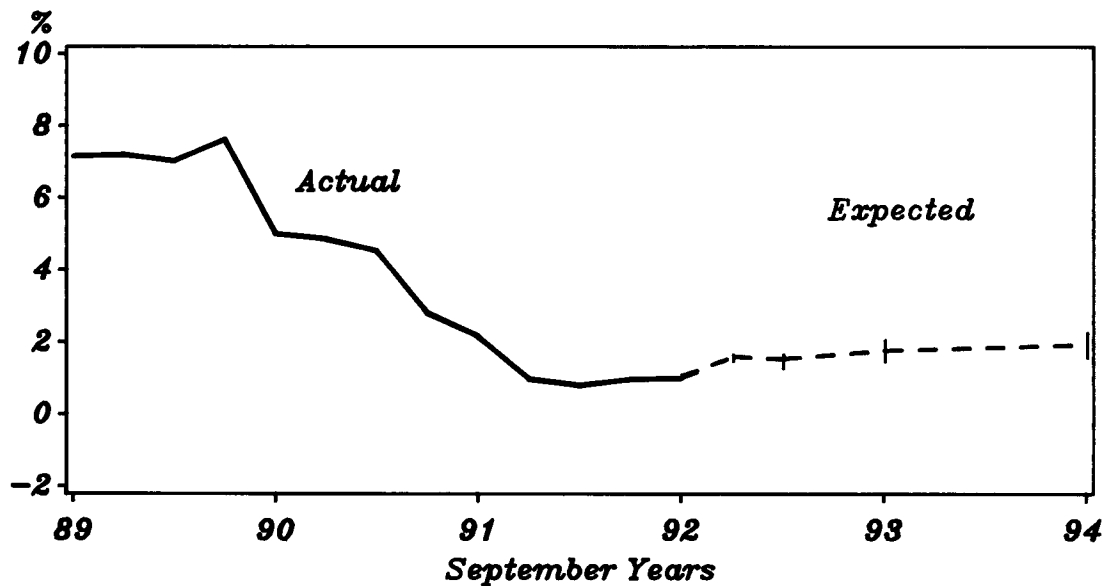
Summary of Results

- **Little change in perception of monetary conditions.**

Monetary conditions are perceived to be little changed since our August survey. A net 10 per cent of respondents believe conditions to be easier than neutral, compared with a net 11 per cent in August. A further modest easing in conditions is expected over the year to September 1993; a net 16 per cent of respondents expecting monetary conditions to be easier than neutral by September 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.

- **Inflation expectations fall further.**

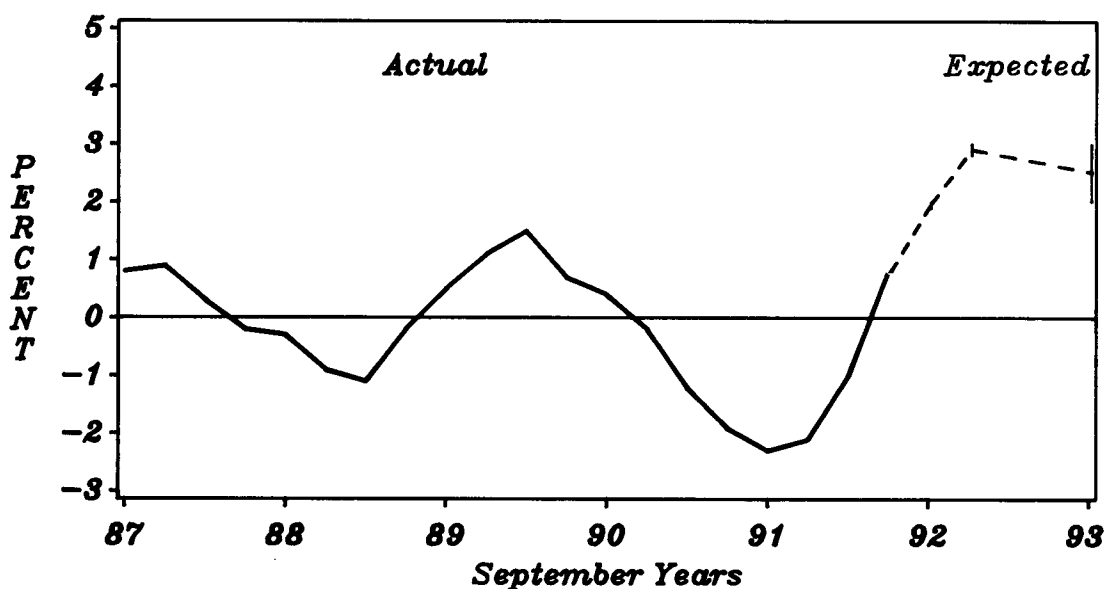
Respondents expect the CPI inflation rate to be 0.5 per cent in both the December and March quarters (implicitly, 1.6 per cent in both the years to December 1992 and March 1993). Inflation expectations for the December quarter are unchanged from our August survey. In the year to September 1993, CPI inflation is expected to be 1.7 per cent, slightly lower than one year-ahead inflationary expectations of 1.8 per cent recorded in August. A 1.9 per cent increase in the CPI is expected in the year to September 1994 (the first time two year ahead inflationary expectations have fallen below 2 per cent).

- **Interest rates expectations little changed.**

Respondents expect little change in rates for both 90 day bills and government stock. The 90 day bill rate is expected to be 6.1 per cent at the end of both December 1992 and September 1993, while government stock rates are expected to be little changed from current levels at 7.1 per cent and 7.0 per cent at the end of December 1992 and September 1993 respectively. Respondents expect a positive yield gap of 1.0 per cent at the end of December 1992 to narrow slightly to 0.9 percentage points by end of September 1993.

Figure 2.

Actual and Surveyed Expectations of the Annual Average % Change in Production Based GDP



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

- **NZ dollar expected to strengthen slightly.**

Respondents expect the New Zealand dollar to appreciate marginally against all major currencies over the coming year. The TWI is expected to rise by 1.3 per cent over the year to September 1993, compared with a year-ahead expected strengthening of 1.1 per cent in August.

- **Solid GDP growth expected.**

Respondents expect real GDP to have risen by 0.6 per cent in the September 1992 quarter (unchanged from their expectation in August) and to rise by a further 0.8 per cent in the December quarter. Over the year to September 1993 respondents expect GDP to grow by 2.5 per cent, up slightly from year-ahead expectations of 2.4 per cent growth at the time of the August survey.

- **Balanced current account expected; slightly down from the surplus previously expected.**

There has been a slight deterioration in current account expectations. A current account deficit of \$300 million is expected in the year to December 1992, slightly lower than the \$200 million surplus previously expected for the year to September. Respondents now expect the current account to be in balance in the year to June 1993, compared with a year ahead surplus of \$400 million expected in the previous survey.

- **Fiscal deficit expected to fall.**

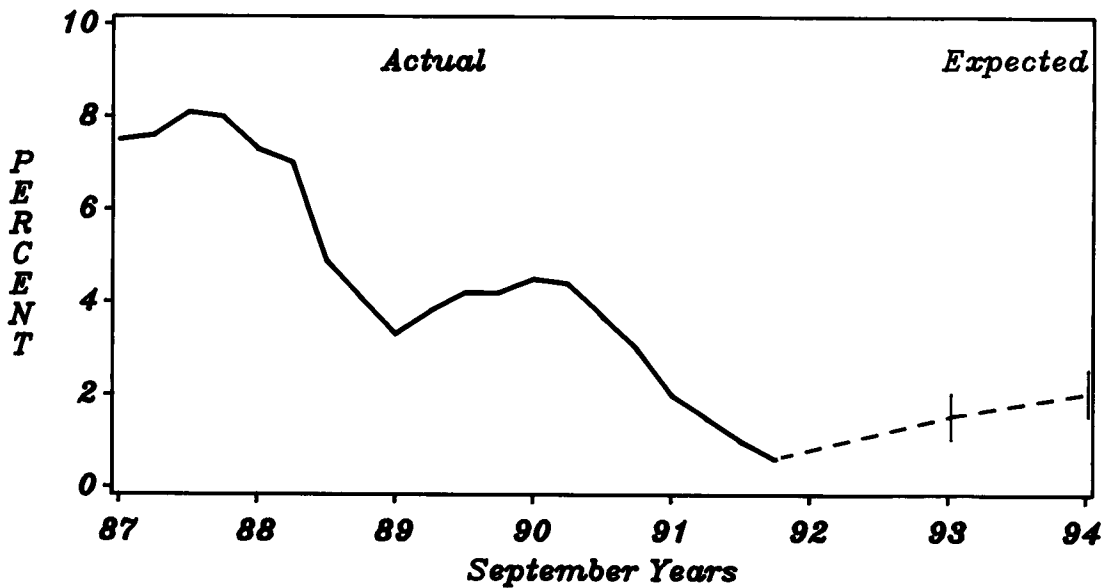
Expectations for the government financial deficit have improved. The financial deficit is now expected to be \$2.6 billion in the year to June 1993, compared with \$2.8 billion expected in our previous survey. Respondents expect the deficit to fall further in the following year.

- **Year-ahead wage expectations largely unchanged.**

The prevailing weekly wage rates index is expected to rise by 1.5 per cent in the year to September 1993, slightly lower than the 1.6 per cent year-ahead increase expected in the August survey. In this survey we ask for the first time about two year ahead wage expectations. A 2 per cent increase in the prevailing weekly wage rates index is expected in the year to September 1994.

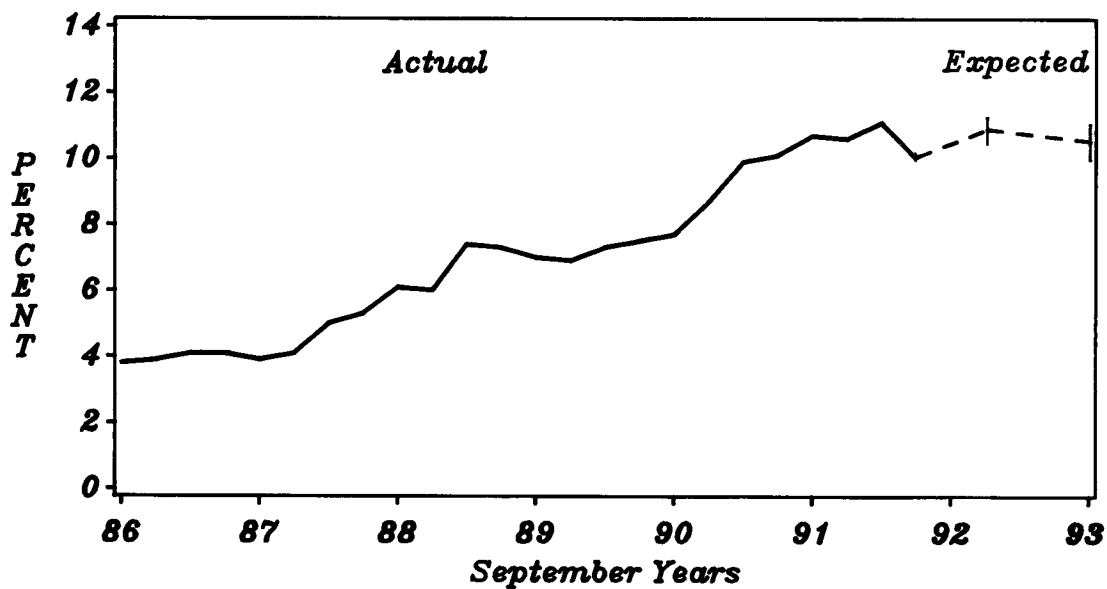
Figure 3.

Actual and Surveyed Expectations of the Annual Percentage Change in the Prevailing Weekly Wage Rate Index



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

Figure 4.
Actual and Surveyed Expectations of the
HLFS Unemployment Rate



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

- **Unemployment expectations fall.**

The HLFS unemployment rate is expected to be 10.9 per cent in December 1992, lower than the 11.3 per cent expected in August. Over 1993 the unemployment rate is expected to fall, reaching 10.5 per cent by September 1993. In the August survey, unemployment was expected to measure 11.1 per cent by June 1993.

The next RBNZ survey of Expectations is tentatively scheduled for 10 February 1993, with the results to be published in the March issue of the *Bulletin*.

SURVEY OF EXPECTATIONS HISTORICAL RESULTS ¹

Monetary Conditions:²

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
Dec. 1991	1.2	2.4	27.5	37.7	27.5	3.6	0.0
Mar. 1992	0.0	5.1	24.1	43.7	24.7	1.9	0.6
June 1992	0.6	2.5	18.5	38.2	35.7	3.8	0.6
Sept. 1992	0.6	4.9	17.3	43.2	30.2	3.7	0.0
Dec. 1992	0.0	3.0	17.2	50.3	24.9	3.6	1.2

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
Dec. 1991	Mar. 1992	0.6	3.0	16.2	38.3	34.7	6.6	0.6
Mar. 1992	June 1992	0.0	3.8	17.8	45.9	29.3	3.2	0.0
June 1992	Sept. 1992	0.6	1.9	14.6	42.7	34.4	5.1	0.6
Sept. 1992	Dec. 1992	0.6	5.0	16.1	41.0	32.3	5.0	0.0
Dec. 1992	Mar. 1993	0.0	1.2	21.9	47.3	24.9	3.0	1.8
Dec. 1991	Sept. 1992	0.6	3.6	13.3	42.2	30.7	8.4	1.2
Mar. 1992	Dec. 1992	0.0	4.4	15.2	46.2	25.3	8.9	0.0
June 1992	Mar. 1993	0.6	1.3	16.6	40.8	31.2	8.9	0.6
Sept. 1992	June 1993	0.6	3.1	18.0	44.7	26.7	6.8	0.0
Dec. 1992	Sept. 1993	0.0	1.2	19.5	42.6	32.0	3.0	1.8

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

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	5.1	4.6	6.4	6.2	6.2
Reference Qtr	Sept. 92	Dec. 92	March 93	June 93	Sept. 93
Mean	5.1	4.8	6.1	5.8	5.9

Prices:

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

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	0.6	0.5	0.4	0.5	0.5

¹ 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.

² 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 Mean	Mar. 92 0.6	June 92 0.6	Sept. 92 0.5	Dec. 92 0.5	Mar. 93 0.5
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Q.5 What annual change do you expect in the Consumers Price Index (CPI) for the year to (reference quarter):

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr Mean	Sept. 92 2.3	Dec. 92 2.2	Mar. 93 2.3	June 93 1.8	Sept. 93 1.7
Reference Qtr Mean	Sept. 93 2.4	Dec. 93 2.2	Mar. 94 2.2	June 94 2.1	Sept. 94 1.9

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	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr Mean	Dec. 91 8.1	Mar. 92 7.4	June 92 6.8	Sept. 92 6.1	Dec. 92 6.1
Reference Qtr Mean	Sept. 92 7.8	Dec. 92 7.3	Mar. 93 6.8	June 93 6.1	Sept. 93 6.1

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

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr Mean	Dec. 91 8.5	Mar. 92 8.6	June 92 8.1	Sept. 92 7.2	Dec. 92 7.1
Reference Qtr Mean	Sept. 92 8.3	Dec. 92 8.4	Mar. 93 8.0	June 93 7.2	Sept. 93 7.0

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	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
US Dollar Reference Qtr Mean	Dec. 91 0.555	Mar. 92 0.542	June 92 0.535	Sept. 92 0.542	Dec. 92 0.537
Reference Qtr Mean	Mar. 92 0.552	June 92 0.542	Sept. 92 0.535	Dec. 92 0.544	Mar. 93 0.538

Reference Qtr Mean	Sept. 92 0.549	Dec. 92 0.544	Mar. 93 0.537	June 93 0.545	Sept. 93 0.541
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Australian Dollar Reference Qtr Mean	Dec. 91 0.710	Mar. 92 0.723	June 92 0.713	Sept. 92 0.740	Dec. 92 0.751
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Reference Qtr Mean	Mar. 92 0.713	June 92 0.727	Sept. 92 0.715	Dec. 92 0.743	Mar. 93 0.754
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Reference Qtr Mean	Sept. 92 0.715	Dec. 92 0.729	Mar. 93 0.720	June 93 0.748	Sept. 93 0.756
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Pound Sterling Reference Qtr Mean	Dec. 91 0.325	Mar. 92 0.300	June 92 0.298	Sept. 92 0.284	Dec. 92 0.333
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Reference Qtr Mean	Mar. 92 0.324	June 92 0.305	Sept. 92 0.301	Dec. 92 0.287	Mar. 93 0.335
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Reference Qtr Mean	Sept. 92 0.324	Dec. 92 0.308	Mar. 93 0.306	June 93 0.293	Sept. 93 0.336
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Japanese Yen Reference Qtr Mean	Dec. 91 73.5	Mar. 92 68.7	June 92 70.6	Sept. 92 69.4	Dec. 92 66.3
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Reference Qtr Mean	Mar. 92 73.2	June 92 68.7	Sept. 92 70.9	Dec. 92 69.6	Mar. 93 66.3
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Reference Qtr Mean	Sept. 92 73.1	Dec. 92 69.0	Mar. 93 71.3	June 93 70.0	Sept. 93 66.8
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Q.9 What quarterly % change do you expect in the Reserve Bank Trade Weighted Index (TWI) for (reference quarter):

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
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Reference Qtr Mean	Dec. 91 -1.5	Mar. 92 0.0	June 92 -0.4	Sept. 92 0.4	Dec. 92 0.5
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Reference Qtr Mean	Mar. 92 0.0	June 92 0.3	Sept. 92 0.6	Dec. 92 0.5	Mar. 93 0.5
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Q.10 What annual % change do you expect in the Reserve Bank Trade Weighted Index (TWI) for the year to (reference quarter):

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
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Reference Qtr Mean	Sept. 92 -1.4	Dec. 92 0.2	Mar. 93 0.4	June 93 1.1	Sept. 93 1.3
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Others:

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

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Mean	-0.4	0.5	0.6	0.6	0.6
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	0.0	0.6	0.8	0.7	0.8

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	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	0.2	1.3	2.1	2.4	2.5

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	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	-1.8	-1.0	-0.1	0.2	-0.3
Reference Qtr	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	-1.5	-0.6	0.1	0.4	0.0

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

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr	June 92	June 92	June 92	June 93	June 93
Mean	-1.8	-2.3	-3.1	-2.8	-2.6
Reference Qtr	June 93	June 93	June 93	June 94	June 94
Mean	-1.2	-1.8	-2.5	-2.4	-1.8

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	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	1.7	1.6	1.5	1.6	1.5
Reference Qtr					Sept. 94
Mean	-	-	-	-	2.0

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

Survey Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Reference Qtr Mean	Dec. 91 11.0	Mar. 92 11.2	June 92 11.2	Sept. 92 11.3	Dec. 92 10.9
Reference Qtr Mean	Sept. 92 11.6	Dec. 92 11.4	Mar. 93 11.2	June 93 11.1	Sept. 93 10.5