

SURVEY OF EXPECTATIONS

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

Introduction

The RBNZ Survey of Expectations for the September 1992 quarter was conducted on Wednesday, 12 August 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 62 per cent, with 163 of the 263 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	..	57
Business	..	59
Agriculture	..	21
Labour	..	7
Other	..	19
TOTAL	..	163

Summary of Results

- **Slightly tighter perception of monetary conditions.**

Monetary conditions are perceived to have tightened marginally since the time of the May survey. A net 11 per cent of respondents believe conditions to be easier than neutral, compared with a net 19 per cent in May. Respondents expect monetary conditions to remain virtually unchanged over the coming year, with a net 12 per cent of respondents expect conditions to be easier than neutral by June 1993.

- **Year-ahead inflation expectations fall further.**

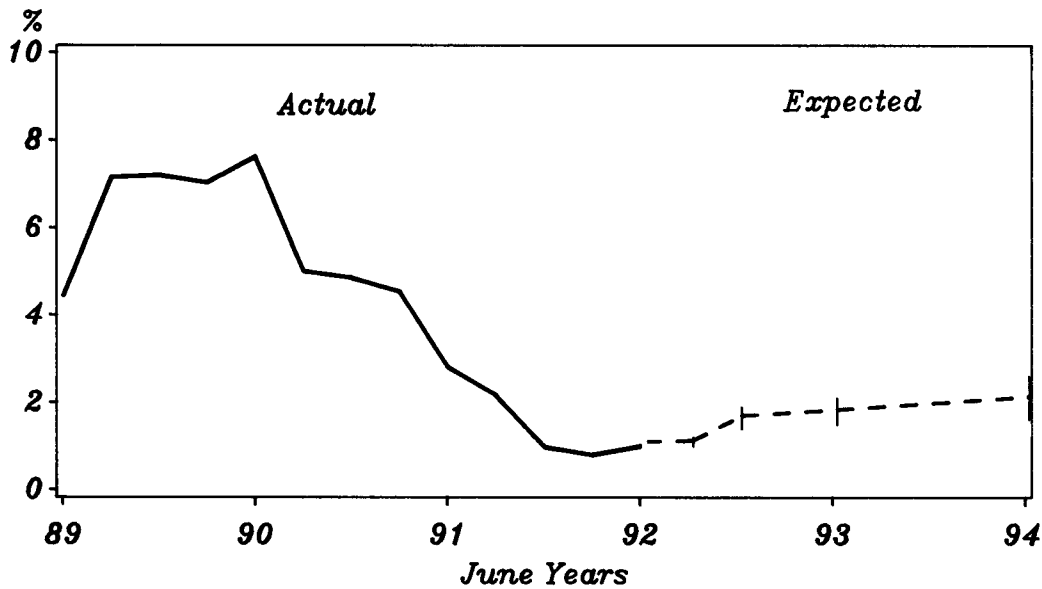
Respondents expect the CPI inflation to be 0.5 per cent in both the September and December quarters (implicitly, 1.1 per cent and 1.7 per cent in the years to September and December respectively). Inflation expectations for the September quarter are unchanged from our May survey. In the year to June 1993, CPI inflation is expected to be 1.8 per cent, significantly lower than one year-ahead inflationary expectations of 2.3 per cent recorded in May. A 2.1 per cent increase in the CPI is expected in the year to June 1994.

- **Interest rates expected to level off.**

Expectations of both the 90 day bill rate and 5 year government bond yields have fallen significantly since May. However, as in the May survey, respondents do not anticipate further falls over the year ahead, with 90 day rates and bond yields expected to level out at around 6.0 per cent and 7.1 per cent respectively. As a result, respondents expect the yield gap to remain relatively constant at around 1.1 percentage points over the coming year.

Figure 1.

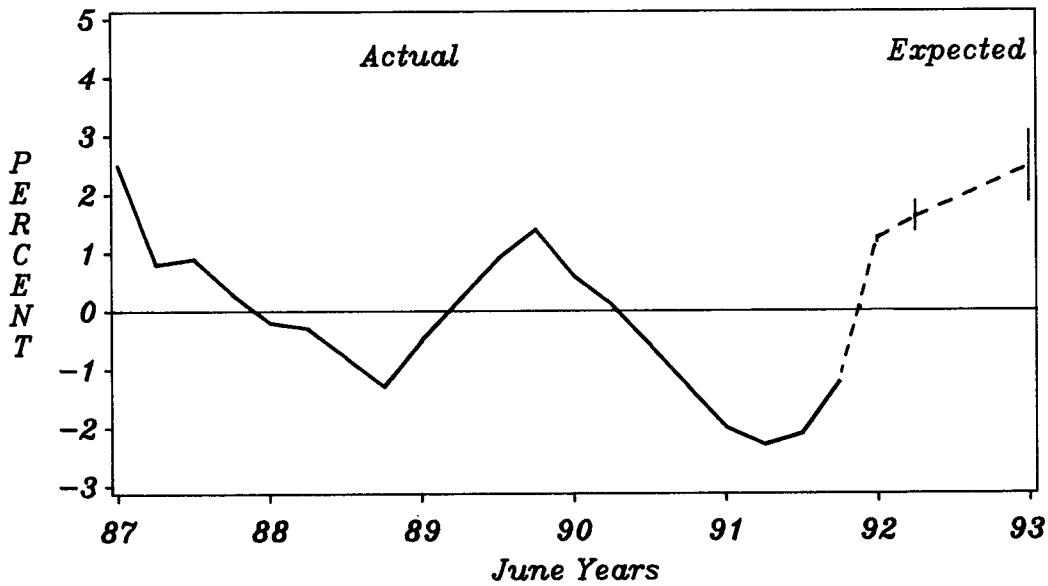
Actual and Surveyed Expectations of the Annual Percentage Change in the Consumer Price Index



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

Figure 2.

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



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

- **Stronger year-ahead GDP growth expected.**

Respondents expect real GDP to have risen by 0.5 per cent in the June 1992 quarter (down from their expectation of 0.8 per cent in May) and to rise by a further 0.6 per cent in the September quarter. Over the year to June 1993 respondents expect GDP to grow by 2.4 per cent, up from year-ahead expectations of 2.1 per cent growth at the time of the May survey.

- **Current account expected to move to surplus.**

A \$200 million current account surplus is expected in the year to September 1992, an improvement on the \$100 million deficit previously expected for the year to June. Year-ahead expectations have also improved. Respondents now expect a current account surplus of \$400 million in the year to June 1993, compared with a year-ahead surplus of \$100 million expected in the previous survey.

- **New Zealand dollar expected to strengthen.**

Respondents expect the New Zealand dollar to appreciate against all major currencies over the coming year. The TWI is expected to rise by 1.1 per cent over the year to June 1993, compared with a year-ahead expected strengthening of 0.4 per cent in May.

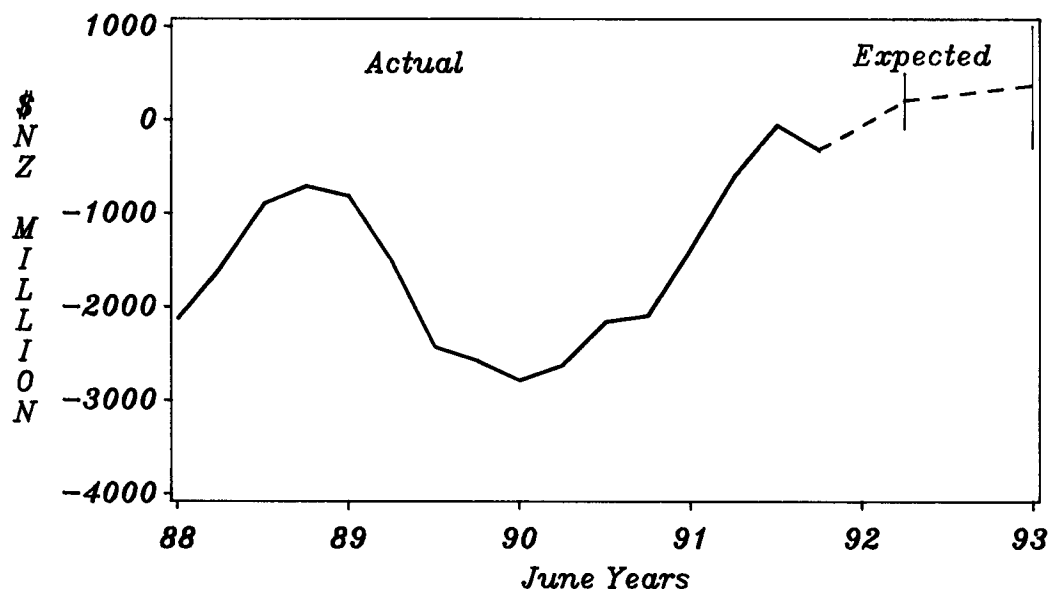
- **Fiscal deficit expected to fall more slowly.**

Expectations for the government financial deficit have worsened. The fiscal deficit is now expected to be \$2.8 billion in the year to June 1993, compared with \$2.5 billion expected in our previous survey (and an estimated deficit of \$3.2 billion in the year to June 1992). A further improvement is expected in the following year, with a deficit of \$2.4 billion expected in the year to June 1994.

- **Wage expectations largely unchanged.**

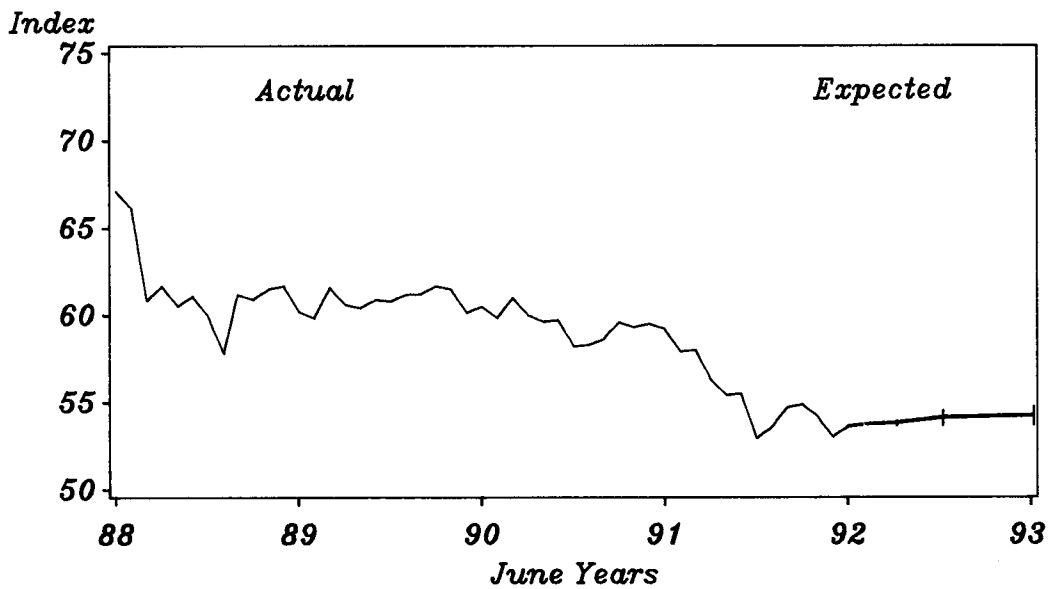
Figure 3.

Actual and Surveyed Expectations of the Annual Current Account Balance



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

*Figure 4.
Actual and Surveyed Expectations of the
RBNZ Trade Weighted Index*



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

The prevailing weekly wage rates index is expected to rise by 1.6 per cent over the year to June 1993. This is slightly higher than the 1.5 per cent year-ahead increase expected in the May survey.

- **Unemployment expected to decline slowly.**

The HLFS unemployment rate is expected to be 11.3 per cent in September 1992, slightly higher than the 11.2 per cent expected in May. Over the coming year the unemployment rate is expected to decline slowly, reaching 11.1 per cent by June 1993. In the May survey, unemployment was expected to measure 11.2 per cent at March 1993. (Note that the survey was completed prior to the release of June HLFS.)

The next RBNZ Survey of Expectations is tentatively scheduled for 28 October 1992, with results to be published in the December 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
Sept. 1991	1.1	10.9	42.3	26.9	17.1	1.7	0.0
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

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 1991	Dec. 1991	1.1	9.1	26.3	33.7	24.6	5.1	0.0
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
Sept 1991	June 1992	1.1	3.4	23.4	33.7	30.3	6.9	1.1
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

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

Survey Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Mean	6.7	5.1	4.6	6.4	6.2
Reference Qtr	June 92	Sept. 92	Dec. 92	March 93	June 93
Mean	5.5	5.1	4.8	6.1	5.8

Prices:

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

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

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

Survey Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr	June 92	Sept. 92	Dec. 92	Mar. 93	June 93
Mean	2.5	2.3	2.2	2.3	1.8
Reference Qtr	June 93	Sept. 93	Dec. 93	Mar. 94	June 94
Mean	2.5	2.4	2.2	2.2	2.1

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. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Mean	9.3	8.1	7.4	6.8	6.1
Reference Qtr	June 92	Sept. 92	Dec. 92	Mar. 93	June 93
Mean	8.8	7.8	7.3	6.8	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	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Mean	9.5	8.5	8.6	8.1	7.2
Reference Qtr	June 92	Sept. 92	Dec. 92	Mar. 93	June 93
Mean	9.2	8.3	8.4	8.0	7.2

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. 91	Dec. 9	Mar. 92	June 92	Sept. 92
US Dollar					
Reference Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Mean	0.571	0.555	0.542	0.535	0.542
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	0.568	0.552	0.542	0.535	0.544

Reference Qtr Mean	June 92 0.565	Sept. 92 0.549	Dec. 92 0.544	Mar. 93 0.537	June 93 0.545
Australian Dollar Reference Qtr Mean	Sept. 91 0.735	Dec. 91 0.710	Mar. 92 0.723	June 92 0.713	Sept. 92 0.740
Reference Qtr Mean	Dec. 91 0.738	Mar. 92 0.713	June 92 0.727	Sept. 92 0.715	Dec. 92 0.743
Reference Qtr Mean	June 92 0.741	Sept. 92 0.715	Dec. 92 0.729	Mar. 93 0.720	June 93 0.748
Pound Sterling Reference Qtr Mean	Sept. 91 0.337	Dec. 91 0.325	Mar. 92 0.300	June 92 0.298	Sept. 92 0.284
Reference Qtr Mean	Dec. 91 0.336	Mar. 92 0.324	June 92 0.305	Sept. 92 0.301	Dec. 92 0.287
Reference Qtr Mean	June 92 0.334	Sept. 92 0.324	Dec. 92 0.308	Mar. 93 0.306	June 93 0.293
Japanese Yen Reference Qtr Mean	Sept. 91 78.2	Dec. 91 73.5	Mar. 92 68.7	June 92 70.6	Sept. 92 69.4
Reference Qtr Mean	Dec. 91 78.2	Mar. 92 73.2	June 92 68.7	Sept. 92 70.9	Dec. 92 69.6
Reference Qtr Mean	June 92 78.1	Sept. 92 73.1	Dec. 92 69.0	Mar. 93 71.3	June 93 70.0

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

Survey Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr Mean	Sept. 91 -0.4	Dec. 91 -1.5	Mar. 92 0.0	June 92 -0.4	Sept. 92 0.4
Reference Qtr Mean	Dec. 91 -0.3	Mar. 92 0.0	June 92 0.3	Sept. 92 0.6	Dec. 92 0.5

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. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr Mean	June 92 -0.6	Sept. 92 -1.4	Dec. 92 0.2	Mar. 93 0.4	June 93 1.1

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	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr Mean	June 91 -0.3	Sept. 91 -0.4	Dec. 91 0.5	Mar. 92 0.6	June 92 0.6
Reference Qtr Mean	Sept. 91 -0.1	Dec. 91 0.0	Mar. 92 0.6	June 92 0.8	Sept. 92 0.7

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. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr Mean	June 92 0.1	Sept. 92 0.2	Dec. 92 1.3	Mar. 93 2.1	June 93 2.4

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. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr Mean	Sept. 91 -2.1	Dec. 91 -1.8	Mar. 92 -1.0	June 92 -0.1	Sept. 92 0.2
Reference Qtr Mean	June 92 -1.7	Sept. 92 -1.5	Dec. 92 -0.6	Mar. 93 0.1	June 93 0.4

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

Survey Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr Mean	June 92 -1.9	June 92 -1.8	June 92 -2.3	June 92 -3.1	June 93 -2.8
Reference Qtr Mean	June 93 -1.2	June 93 -1.2	June 93 -1.8	June 93 -2.5	June 94 -2.4

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. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr Mean	June 92 1.9	Sept. 92 1.7	Dec. 92 1.6	Mar. 93 1.5	June 93 1.6

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

Survey Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Reference Qtr	Sept. 91	Dec. 91	Mar. 92	June 92	Sept. 92
Mean	10.4	11.0	11.2	11.2	11.3
Reference Qtr	June 92	Sept. 92	Dec. 92	Mar. 93	June 93
Mean	11.2	11.6	11.4	11.2	11.1