

# Survey of Expectations

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*This article, prepared by Christopher Green and Graham Howard, presents the results from the August 1993 Reserve Bank of New Zealand Survey of Expectations.*

## Introduction

The latest RBNZ Survey of Expectations was conducted on Wednesday 11 August 1993. 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 71 percent, with 178 of the 252 respondents in this quarter's sample having returned their completed questionnaires by the cut-off date.

The distribution across activity groups was:

Financial	..	62
Business	..	70
Agriculture	..	20
Labour	..	9
Other	..	17
TOTAL		178

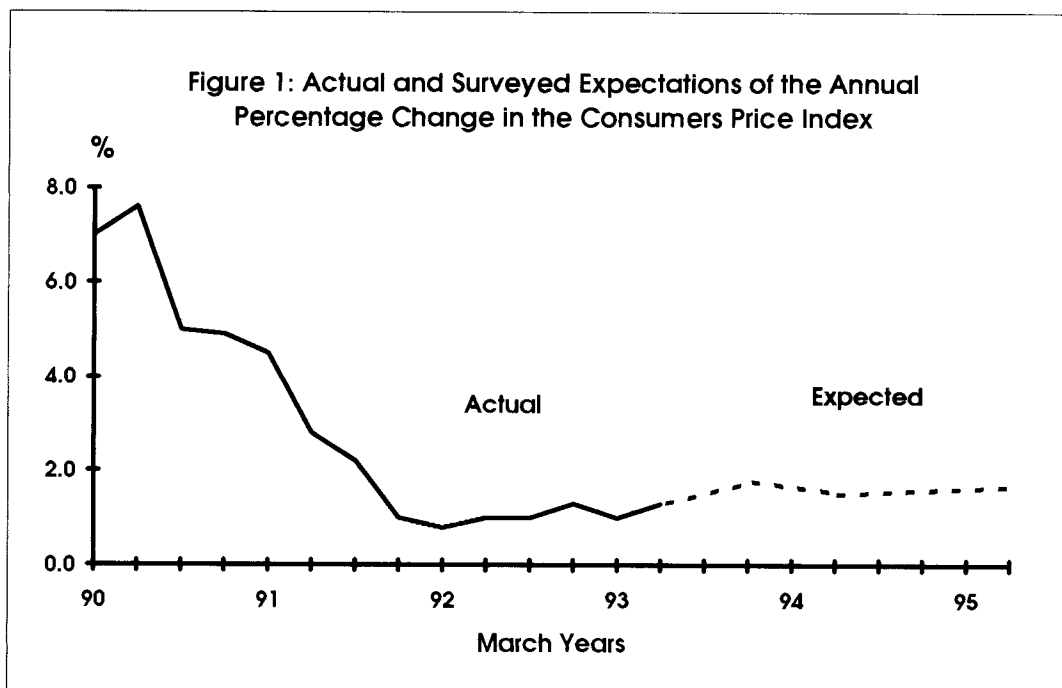
## Summary of Results

- **Monetary conditions perceived easier.**

Monetary conditions now are perceived to be significantly easier than they were at the time of the May survey. A net 20 percent of respondents believe conditions to be easier than neutral, compared with a net 9 percent who felt conditions in May were tighter than neutral. Respondents expect monetary conditions to tighten slightly over the year, with a net 6 percent expecting conditions to be easier than neutral by June 1994.

- **Inflation expectations remain low.**

Respondents expect the CPI inflation rate to rise by 0.5 percent in both the September and December quarters (implicitly 1.5 percent and 1.7 percent in the years to September and December respectively). Inflation expectations for the September quarter are slightly higher than in the May survey, where the CPI was expected to rise by 0.4 percent in the September quarter. For the year to June 1994, CPI inflation is expected to be 1.5 percent, unchanged from the one-year-ahead inflation expectations recorded in May. A 1.7 percent increase in the CPI is expected for the year to June 1995.



- **Interest rates expected to decline.**

Respondents expect both short and long term rates to reach lower levels over the next year than anticipated in the May survey. The 90 day bill rate is expected to be 5.6 percent at the end of June 1994, while the five year government stock rate is expected to fall to 6.2 percent. This implies an expected positive yield gap of 0.6 percent at the end of June 1994.

- **Exchange rate expected to firm slightly.**

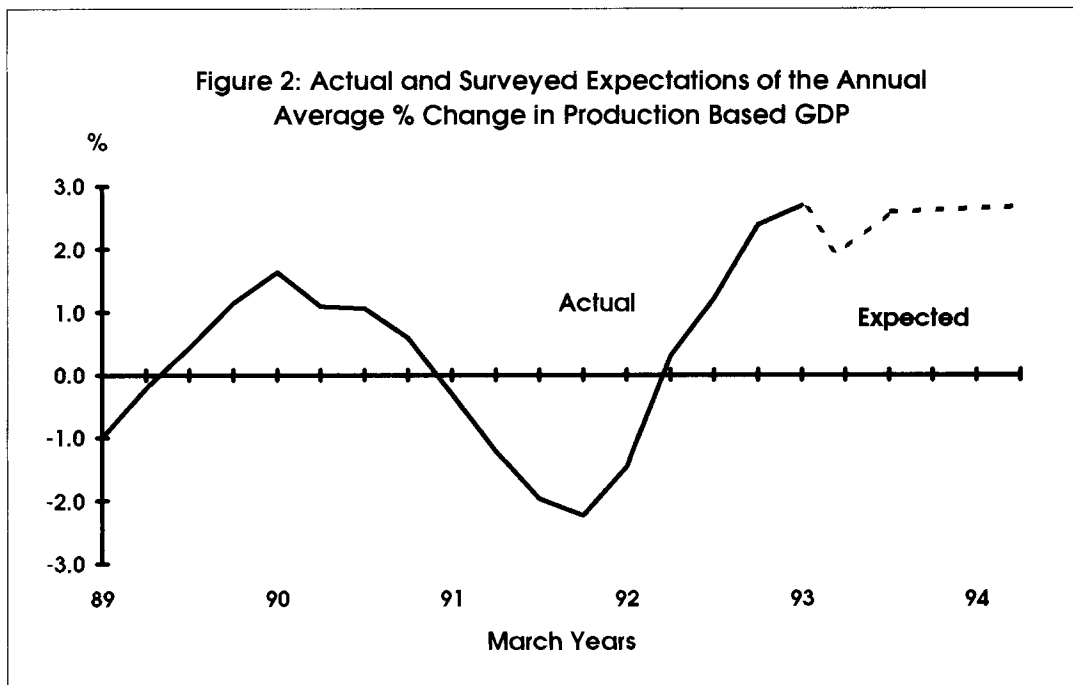
Respondents expect the New Zealand dollar to appreciate slightly against all major currencies over the coming year. The TWI is expected to rise by 1.9 percent over the year to June 1994, compared with an expected strengthening over the year ahead of 1.3 percent in May.

- **Little change in GDP expectations.**

Respondents expect real GDP to have risen by 0.8 percent in the June 1993 quarter (slightly lower than the 0.9 percent expected in May), with an anticipated further rise of 0.8 percent in the September quarter. In the year to June 1994 respondents expect GDP growth of 2.7 percent, unchanged from year-ahead expectations at the time of the May survey.

- **Fiscal deficit expected to fall.**

The financial deficit for the year ended June 1994 is now expected to be \$1.6 billion, unchanged from the year-to-June 1994 expectations recorded in the previous survey. Over the fiscal year ending June 1995, respondents expect the deficit to fall to \$1.3 billion.



- **Lower current account deficit expected.**

The current account deficit for the year ended September 1993 is expected to be \$800 million, significantly lower than the \$1,100 million deficit expected for the year to June 1993 in the May survey. Respondents expect the current account deficit to narrow to \$500 million over the year to June 1994.

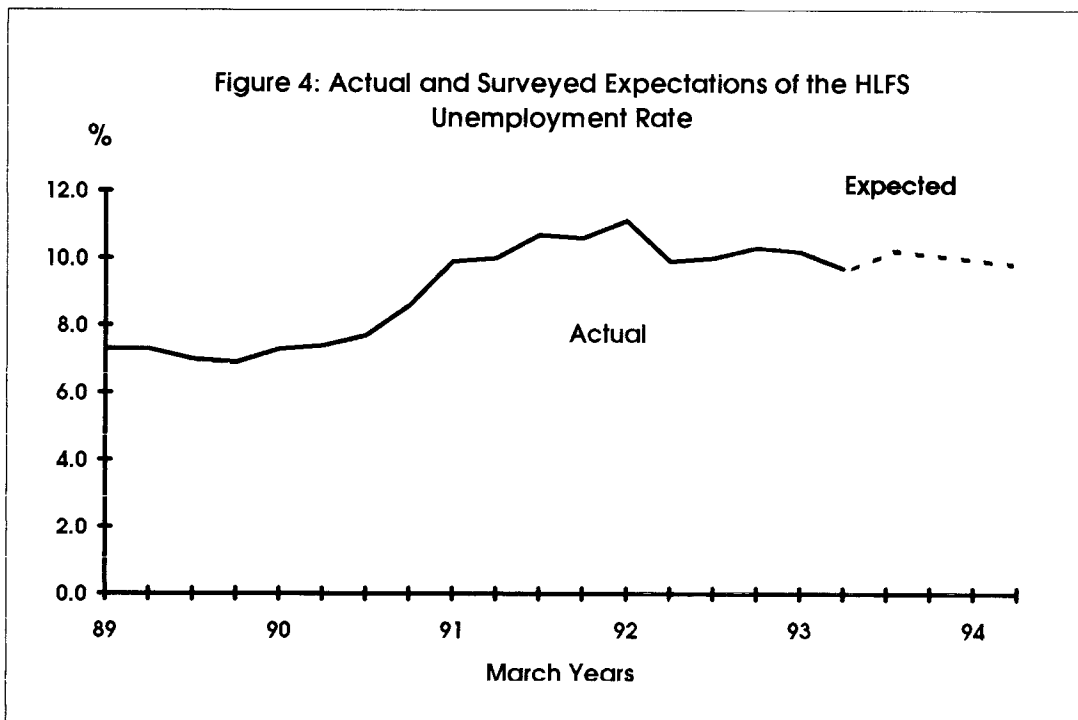
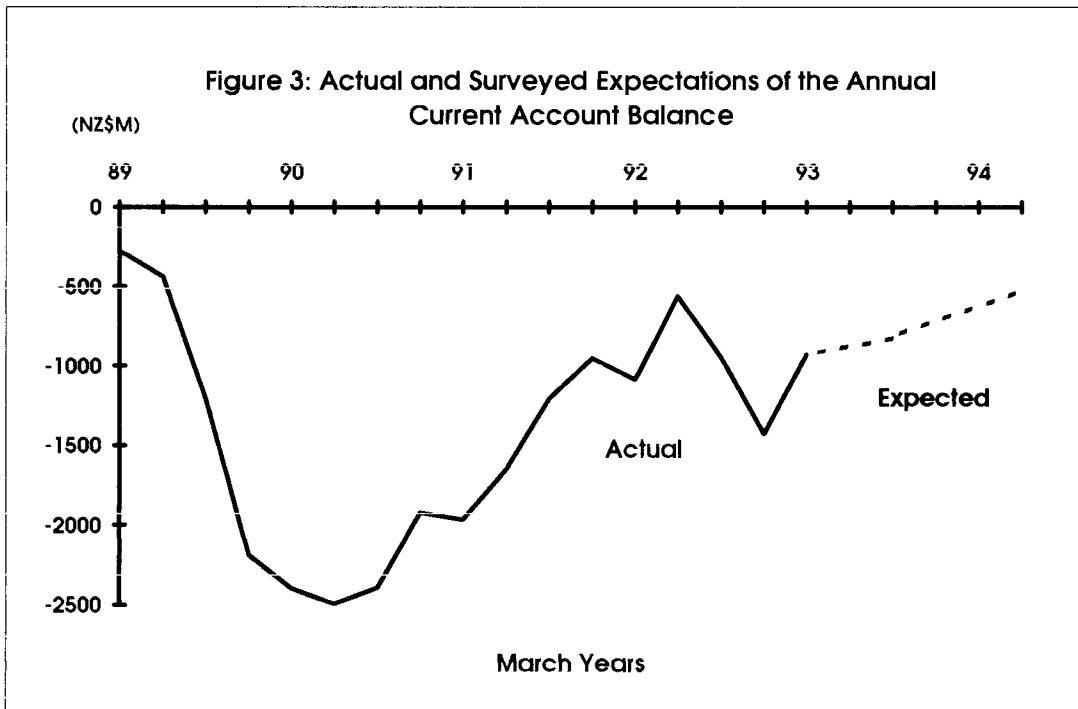
- **Wage expectations unchanged.**

The Prevailing Weekly Wage Rates index is expected to rise by 1.7 percent and 2.1 percent over the years to June 1994 and June 1995 respectively (unchanged from year-ahead increases expected in the May survey).

- **Unemployment expectations fall.**

The HLFSS unemployment rate is expected to be 10.1 percent in the September quarter 1993, slightly lower than the 10.4 percent expected for the June quarter at the time of the previous survey. A further slight improvement to 9.8 percent is expected by June 1994. In the May survey unemployment had been expected to measure 10.1 percent by March 1994.

The next RBNZ Survey of Expectations is tentatively scheduled for 10 November 1993, with the 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. 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
Mar. 1993	1.7	13.3	34.7	33.5	15.6	1.2	0.0
June 1993	0.6	4.3	25.8	47.2	19.6	2.5	0.0
Sept 1993	0.6	2.3	13.6	47.5	31.6	4.0	0.6

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. 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
Mar. 1993	June 1993	1.7	6.4	27.7	40.5	21.4	2.3	0.0
June 1993	Sept 1993	0.6	4.3	25.2	43.6	21.5	4.9	0.0
Sept. 1993	Dec. 1993	0.6	1.7	15.3	51.4	27.7	3.4	0.0
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
Mar. 1993	Dec. 1993	1.7	5.2	17.9	52.0	20.2	2.9	0.0
June 1993	Mar. 1994	0.6	2.5	22.7	50.3	20.2	3.1	0.6
Sept. 1993	June 1994	1.1	1.1	18.1	53.1	23.7	2.8	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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	6.2	6.2	5.7	5.4	4.6
Reference Qtr.	June 93	Sept. 93	Dec. 93	Mar. 94	June 94
Mean	5.8	5.9	5.7	5.4	5.1

### Prices:

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

Survey Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	0.5	0.5	0.6	0.5	0.5

<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. 92	Mar. 93	June 93	Sept. 93	Dec. 93
Mean	0.5	0.5	0.6	0.4	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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr.	June 93	Sept. 93	Dec. 93	Mar. 94	Sept. 93
Mean	1.8	1.7	1.8	1.5	1.5
Reference Qtr.	June 94	Sept. 94	Dec. 94	Mar. 95	June 95
Mean	2.1	1.9	1.9	1.7	1.7

### 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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	6.1	6.1	7.2	6.6	5.7
Reference Qtr.	June 93	Sept. 93	Dec. 93	Mar. 94	June 94
Mean	6.1	6.1	6.8	6.4	5.6

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

Survey Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	7.2	7.1	7.5	7.0	6.4
Reference Qtr.	June 93	Sept. 93	Dec. 93	Mar. 94	June 94
Mean	7.2	7.0	7.3	6.9	6.2

### 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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
US Dollar					
Reference Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Mean	0.542	0.537	0.515	0.542	0.549
Reference Qtr.	Dec. 92	Mar. 93	June 93	Sept. 93	Dec. 93
Mean	0.544	0.538	0.518	0.542	0.549

Reference Qtr. Mean	June 93 0.545	Sept. 93 0.541	Dec. 93 0.521	Mar. 94 0.544	June 94 0.552
Australian Dollar Reference Qtr. Mean	Sept. 92 0.740	Dec. 92 0.751	Mar. 93 0.760	June 93 0.768	Sept. 93 0.802
Reference Qtr. Mean	Dec. 92 0.743	Mar. 93 0.754	Jun. 93 0.761	Sept. 93 0.769	Dec. 93 0.805
Reference Qtr. Mean	June 93 0.748	Sept. 93 0.756	Dec. 93 0.762	Mar. 94 0.772	June 94 0.806
Pound Sterling Reference Qtr. Mean	Sept. 92 0.284	Dec. 92 0.333	Mar. 93 0.350	June 93 0.350	Sept. 93 0.367
Reference Qtr. Mean	Dec. 92 0.287	Mar. 93 0.335	June 93 0.351	Sept. 93 0.350	Dec. 93 0.368
Reference Qtr. Mean	June 93 0.293	Sept. 93 0.336	Dec. 93 0.352	Mar. 94 0.352	June 94 0.370
Japanese Yen Reference Qtr. Mean	Sept. 92 69.4	Dec. 92 66.3	Mar. 93 63.1	June 93 60.5	Sept. 93 57.6
Reference Qtr. Mean	Dec. 92 69.6	Mar. 93 66.3	June 93 63.1	Sept. 93 60.3	Dec. 93 57.7
Reference Qtr. Mean	June 93 70.0	Sept. 93 66.8	Dec. 93 63.1	Mar. 94 60.3	June 94 58.2

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

Survey Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	Sept. 92 0.4	Dec. 9 0.5	Mar. 93 0.6	June 93 0.9	Sept. 93 0.7
Reference Qtr. Mean	Dec. 92 0.5	Mar. 93 0.5	June 93 0.4	Sept 93 0.3	Dec. 93 0.4

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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	June 93 0.4	Sept. 93 1.3	Dec. 93 1.1	Mar. 94 1.3	June 94 1.9

**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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	June 92 0.6	Sept. 92 0.6	Dec. 92 0.8	Mar. 93 0.8	June 93 0.8
Reference Qtr. Mean	Sept. 92 0.7	Dec. 92 0.8	Mar. 93 0.9	June 93 0.9	Sept. 93 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.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	June 93 2.4	Sept. 93 2.5	Dec. 93 2.4	Mar. 94 2.7	June 94 2.7

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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	Sept. 92 0.2	Dec. 92 -0.3	Mar. 93 -1.1	June 93 -1.1	Sept. 93 -0.8
Reference Qtr. Mean	June 93 0.4	Sept. 93 0.0	Dec. 93 -0.9	Mar. 94 -0.9	June 94 -0.5

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

Survey Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	June 93 -2.8	June 93 -2.6	June 93 -2.5	June 93 -1.9	June 94 -1.6
Reference Qtr. Mean	June 94 -2.4	June 94 -1.8	June 94 -2.2	June 94 -1.6	June 95 -1.3

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. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	June 93 1.6	Sept. 93 1.5	Dec. 93 1.6	Mar. 94 1.7	June 94 1.7
Reference Qtr. Mean	-	-	Dec. 94 2.0	Mar. 95 2.1	June 95 2.1



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

Survey Qtr.	Sept. 92	Dec. 92	Mar. 93	June 93	Sept. 93
Reference Qtr. Mean	Sept. 92 11.3	Dec. 92 10.9	Mar. 93 10.6	June 93 10.4	Sept. 93 10.1
Reference Qtr. Mean	June 93 11.1	Sept. 93 10.5	Dec. 93 10.4	Mar. 94 10.1	June 94 9.8

