

# STATS INSIGHT

## Tara-ā-Whare Household Expectations Survey

### May 2022



Inflation and house price expectations  
19 May 2022

#### Summary

- Households on average expect 1-year ahead CPI inflation to be 7.1%. This compares with latest annual CPI inflation of 6.9% for the March 2022 quarter.
- Households expect inflation to ease in the medium and long term. On average, households expect the 2-year ahead annual inflation rate to be 4.6% and the 5-year ahead annual inflation rate to be 3.6%.
- House price expectations have dropped this quarter, with house price inflation expectations for 1-year ahead at 2.7%, down from 5.7% in Q1 2021. It is expected that on average in the next 5 years house prices will increase by a cumulative 7.0%.
- This Stats Insight includes results from the additional questions added to the survey in Q1 2022, which are published for the first time today.
- Note: Household Inflation expectations data first published on 18 February have been corrected – see special note for details.

#### 1-year ahead inflation expectations continue to rise

Figure 1 shows 1-year ahead inflation expectations. The mean estimate of New Zealand households has increased this quarter from a corrected 6.3% to 7.1%. The median estimate for 1-year ahead inflation is 7.0%, up 2 percentage points from 5.0% last quarter. 1-year ahead inflation expectations have been sharply increasing since Q1 2021. This is the highest mean estimate recorded since the survey began and compares with a pre-2022 peak of 5.1% in September 2006.

Figure 2 compares 1-year ahead mean inflation expectations with perceptions of current mean inflation. These series move closely together. Since 2011, on average, households have estimated 1 year ahead inflation to be 0.5 percentage points higher than their perceptions of current inflation.

This quarter saw households estimate 1-year ahead inflation to be 1.4 percentage points lower than perceptions of current inflation.

Figure 1: 1-year ahead inflation expectations (%)

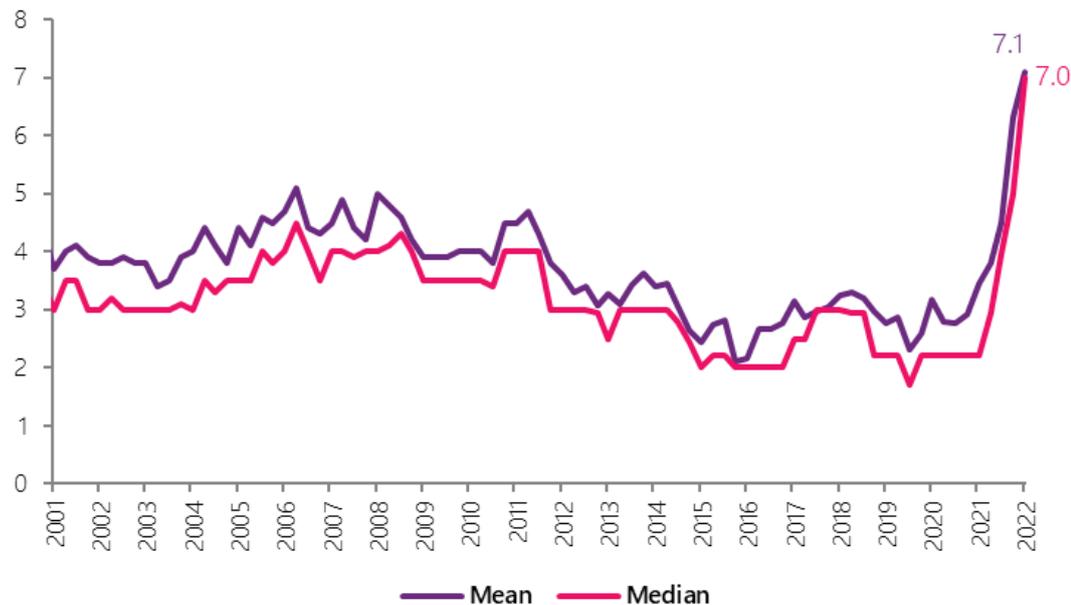
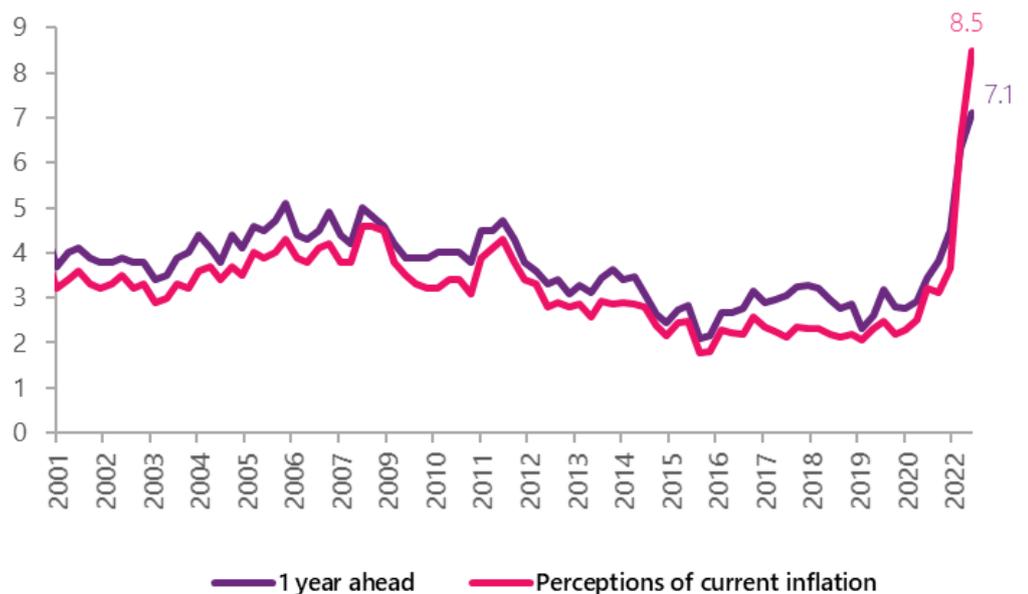


Figure 2: 1-year ahead and perceptions of current inflation mean expectations (%)



## Inflation expected to ease 2 years ahead

Table 1 shows 2-year ahead inflation rate expectations, which was asked for the first time in Q1 2022. The mean estimate has decreased 0.8 percentage points this quarter to 4.6%. The median has stayed the same at 5.0%. These estimates are lower than the 1-year ahead inflation estimates suggesting that households expect inflation to ease in the medium term.

Table 1: 2-year ahead inflation rate expectations

Quarter	Mean	Median
Q1 2022	5.4	5.0
Q2 2022	4.6	5.0

## 5-year ahead expectations show inflation rate easing in long term

For Q2 2022, the 5-year ahead mean inflation expectation is up 0.3 percentage points to 3.6%. The median inflation expectation has stayed the same at 3.0%. Similar to 2-year ahead estimates, these values also suggest that households expect inflation to ease in the medium and long term from current highs.

Table 2: 5-year ahead inflation rate expectations

Quarter	Mean	Median
Q1 2022	3.3	3.0
Q2 2022	3.6	3.0

Note: In Q1 2022 we changed the survey to specify that we are asking for an expected **annual rate** of inflation 5-years ahead. As a result of this improvement to the survey, there was a break in the time series for 5-year ahead inflation expectations in Q1 2022. This is now shown as a new series for Q1 and Q2 2022, therefore these results can not be compared with the previous quarters.

## 1-year ahead house price inflation expectations fall, but growth still expected

As shown in Figure 3, the net percentage of respondents expecting higher house prices in 12 months' time fell considerably from 60.6% last quarter to 33.4% this quarter. This is down 31.3 percentage points from 64.7% a year ago.

Figure 3: Net % expecting higher house prices in 12 months time



Figure 4 shows one year ahead house price inflation expectations. This quarter's mean expectation is 2.7%, down from 5.7% last quarter. The median expectation is 0.0%, down from 5.0% last quarter.

**Figure 4: House Price Inflation Expectations in 12 months time (%)**



## House price expectations for 5-years ahead decrease this quarter

Table 3 shows the expected cumulative change in house prices over the next 5 years, which was asked for the first time in Q1 2022. The mean estimate is 7.0%, down 5.2 percentage points from Q1. The median estimate has fallen 5 percentage points to 5.0%.

This echoes what was shown in the 1-year ahead house price expectations. Households have lower estimates in Q2, suggesting they are expecting house price growth to be slower in the short and long term than they previously expected.

**Table 3: Expected cumulative change in house prices 5 years ahead**

Quarter	Mean	Median
Q1 2022	12.2	10.0
Q2 2022	7.0	5.0

## About the Tara-ā-Whare – Household Expectations Survey:

The RBNZ Household Expectations Survey was re-developed in Q1 2022-and renamed to *Tara-ā-Whare - Household Expectations Survey*. The word "Tara" is derived from Pakitara, or the walls, and "Whare" means a house. Tara-ā-Whare is also used to describe going to door to door, to ask questions.

The data for this report was collected by Research NZ on behalf of RBNZ. Fieldwork for this survey was conducted from 21<sup>st</sup> to 27<sup>th</sup> April. The sample size for this quarter's survey was n=1,003 and has a margin of error of +/-3% for a 95% confidence interval for a 50% figure. The survey is conducted online and is made up of a nationally representative sample of New Zealand residents aged 18 and over.

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