

SUMMARY

Survey respondents reported:

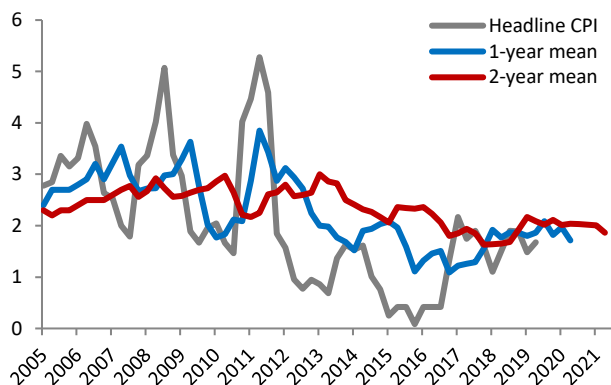
- Inflation expectations for one year ahead have decreased since last quarter's survey from a mean of 1.97% to 1.71%. Expectations for two years ahead decreased from 2.01% to 1.86%.
- The mean expectation for the end of quarter Official Cash Rate decreased from 1.63% to 1.32%. The one year ahead expectation decreased from 1.48% to 1.13%.
- The expected one year ahead unemployment rate is steady at 4.31%.
- House price inflation expectations decreased from 2.83% to 2.71% for one year ahead, and increased from 2.56% to 3.09% for two years ahead.

ONE YEAR AHEAD INFLATION EXPECTATIONS DOWN

Table 1: Short-term business inflation expectations (annual %)

Quarter	1 year ahead		2 years ahead	
	Mean	Median	Mean	Median
Dec 2018	2.09	2.00	2.03	2.00
Mar 2019	1.82	1.90	2.02	2.00
Jun 2019	1.97	1.90	2.01	2.00
Sept 2019	1.71	1.70	1.86	1.80

Figure 1: Inflation expectations (annual %)



1 year inflation expectations shifted forward four quarters and 2 year inflation expectations shifted forward eight quarters

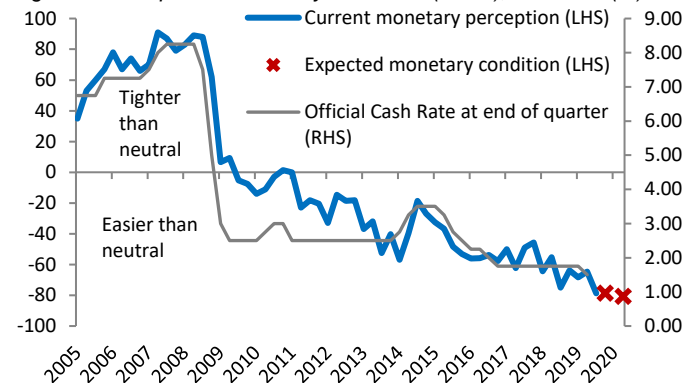
Table 2: Long-term business inflation expectations (annual %)

Quarter	5 years ahead		10 years ahead	
	Mean	Median	Mean	Median
Dec 2018	2.11	2.00	2.18	2.00
Mar 2019	2.09	2.00	2.10	2.00
Jun 2019	2.04	2.00	2.02	2.00
Sept 2019	1.94	2.00	2.05	2.00

MONETARY CONDITIONS EXPECTED TO REMAIN EASIER THAN NEUTRAL

A net 78.7% of respondents believe current monetary conditions are easier than neutral. This is up from a net 64.7% in the previous quarter's survey. A net 80.9% of respondents believe monetary conditions in one year's time will be easier than neutral.

Figure 2: Perception of monetary conditions (net %), with OCR (%)



TWO YEAR AHEAD HOUSE PRICE EXPECTATIONS INCREASE

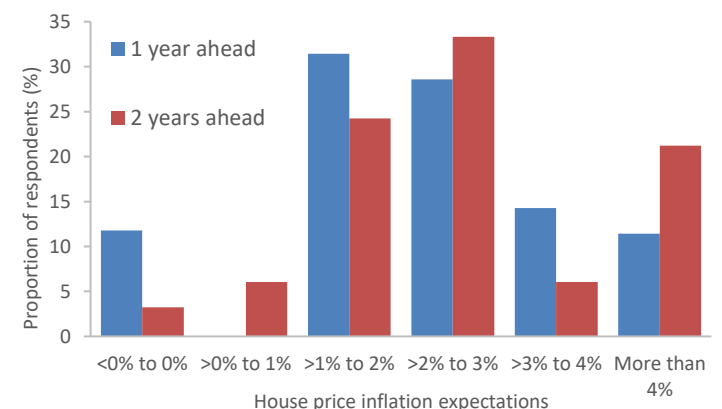
House prices are expected to grow at 3.09% in two year's time. This is an increase from 2.56% reported in the previous quarter's survey.

Table 3: House-price growth expectations (annual %)

Quarter	1 year ahead		2 years ahead	
	Mean	Median	Mean	Median
Dec 2018	2.86	3.00	2.31	3.00
Mar 2019	1.91	3.00	2.14	2.00
Jun 2019	2.83	2.90	2.56	2.50
Sept 2019	2.71	3.00	3.09	3.00

54.3% of respondents expect one year ahead house price inflation to be more than 2.0%.

Figure 3: House price inflation expectations, proportion of respondents (%)



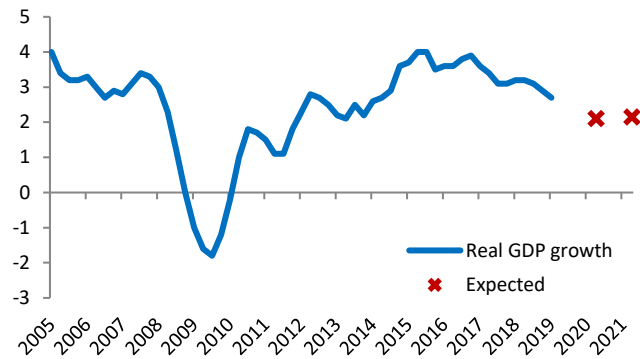
GDP EXPECTATIONS DECREASE

Compared with last quarter, expectations for annual real GDP growth decreased from 2.19% to 2.10% for one year ahead. The March quarter rolling-annual GDP growth reported by Stats NZ was 2.7%.

Table 4: Real GDP growth expectations (annual %)

Quarter	1 year ahead		2 years ahead	
	Mean	Median	Mean	Median
Dec 2018	2.44	2.60	2.44	2.60
Mar 2019	2.38	2.60	2.36	2.50
Jun 2019	2.19	2.40	2.17	2.40
Sept 2019	2.10	2.30	2.15	2.40

Figure 4: Real GDP growth expectations (annual %)



EXPECTED UNEMPLOYMENT RATE LOW

The unemployment rate in one year is expected to be 4.31% and 4.34% two years' time. Stats NZ reported a decrease of the seasonally adjusted unemployment rate from 4.2% to 3.9% for the June 2019 quarter (this was released after the survey was completed).

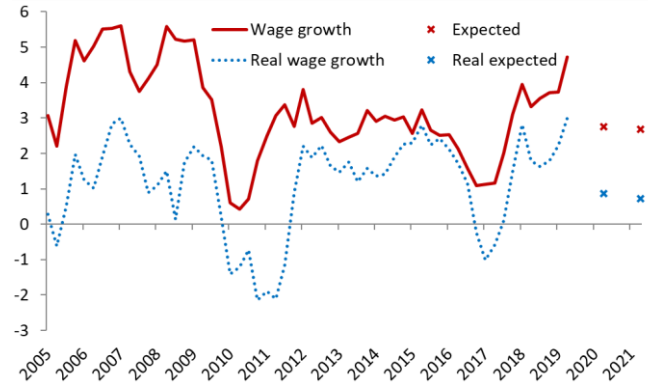
Figure 5: Unemployment rate expectations (%)



One year ahead expectations for annual growth in wages decreased from 2.89% to 2.75%, while two years ahead expectations decreased from 2.93% to 2.68%. Stats NZ reported an increase in the private sector average (ordinary time) hourly earnings of 4.7% for the June 2019 quarter (this was released after the survey was completed).

By comparing expectations for wage growth and inflation, we can estimate expectations of the real wage growth. Respondents expect real wage growth be 0.88% for one year ahead to 0.74% for two years ahead.

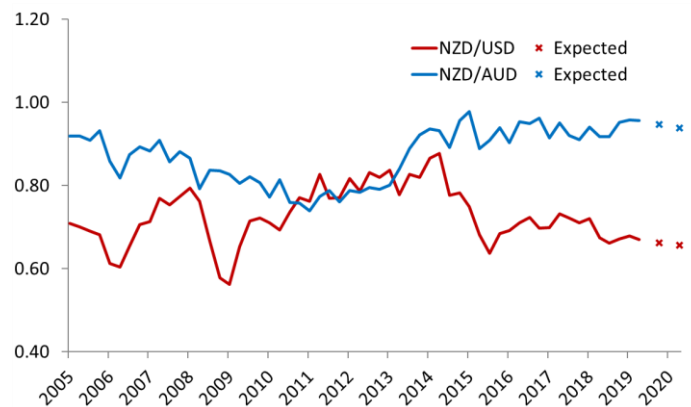
Figure 6: Wage growth expectations (annual %)



NZD/AUD EXCHANGE RATE EXPECTED TO DECLINE

The NZ/AU dollar exchange rate is expected to be 0.95 at the end of December 2019, and decrease to 0.94 at the end of June 2020. It was at 0.957 when the survey was conducted (17 July 2019). The NZ/US dollar exchange rate is expected to be 0.66 at the end of December 2019 and at the end of June 2020. It was at 0.671 when the survey was conducted (17 July 2019).

Figure 7: NZ Dollar exchange rate expectations (\$)



ABOUT THE SURVEY

The Reserve Bank of New Zealand Survey of Expectations is a New Zealand-wide quarterly survey of business managers and professionals. Nielsen conducts the survey on behalf of the Reserve Bank. Respondents are asked for their expectations of future outcomes of a range of key macroeconomic data.

The September 2019 quarter survey was conducted from Wednesday 17 to Monday 22 July 2019.

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