

Summary

- OCR expectations continue to rise in the short and medium term
- One year ahead Inflation expectations rose to an eleven year high of 3.70%
- House price growth expected to slow over the next two years

OCR expectations continue to rise

The October 2021 Survey of Expectations (SOE) found that business forecasters expect the OCR to continue rising over the course of the next two years. The OCR was last raised by 25 basis points on the 6th of October to 0.50.

The next RBNZ Monetary Policy Statement will be released on the 24th of November.

Short term

The mean OCR expectation for the end of the current quarter was 0.75 which would represent a single rate hike from the current level.

Medium term

In the medium term the OCR was expected to continue rising but most of those rises were expected to occur within the next twelve months.

The mean estimate for the OCR one year ahead was 1.53. This would translate to about four rate hikes over the Monetary Policy Committee's next seven meetings.

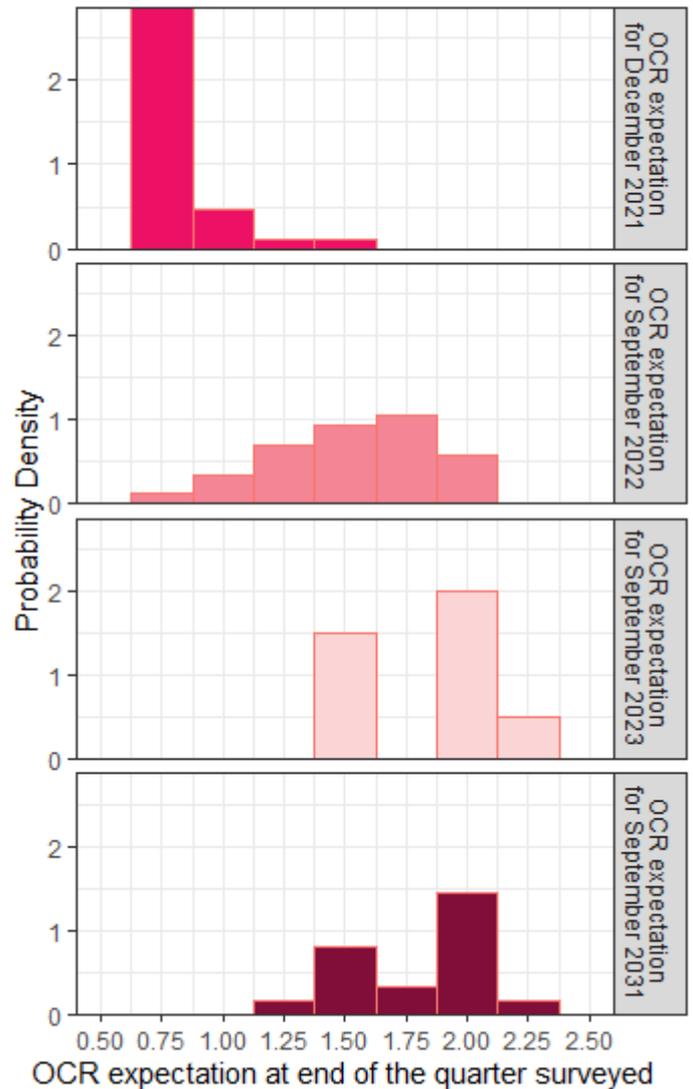
Expectations for the OCR one year ahead had a wide and flat spread from 0.75 to 2.00 indicating a level of uncertainty from respondents.

Mean two year ahead OCR expectations were 1.83 with more respondents expecting the OCR to be either 1.50 or 2.00 by the end of September 2023.

Long term

The mean OCR expectation for ten years decreased slightly to 2.07. This is only a 6bp change from the July SOE value of 2.13.

OCR expectations from November 2021 Business SOE



Note: The October 2021 SOE ran from the 19th to the 26th of October, before the most recent Stats NZ employment figures were released. This means survey participants did not have access to the current employment data which was published on the 3rd of November. The most recent official unemployment figure was 3.4%

Higher inflation expected in the short and medium term

The October Survey of expectations went to field following the Stats NZ CPI release on November the 18th. Inflation expectations for one, two and five years ahead all increased from last quarter but still sit beneath the current official value of 4.9%.

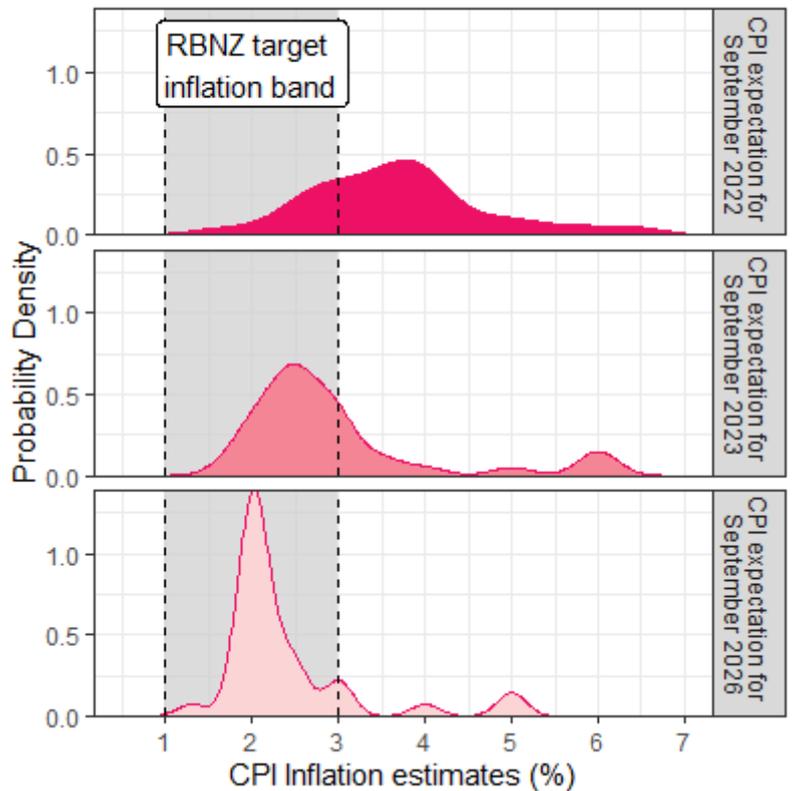
One year ahead inflation expectations had a mean of 3.70% which is up from 3.02% last quarter. This is the highest one year ahead inflation figure since September 2010 (3.85%). At the time headline inflation sat at 5.3%, boosted by an increase in GST.

The mean for two year ahead expectations rose to 2.96% which represents a 0.69 percentage points increase from last quarter. This value sits within, but on the higher end, of RBNZ’s target range of 1 - 3%.

In the long term, five year ahead inflation expectations increased from 2.03% to 2.17%. This is the highest reported figure since it was added to the survey in September 2017.

Ten year ahead inflation expectations remain flat at 1.97%, down 0.03 percentage points from last quarter.

CPI expectations from November 2021 Business SOE



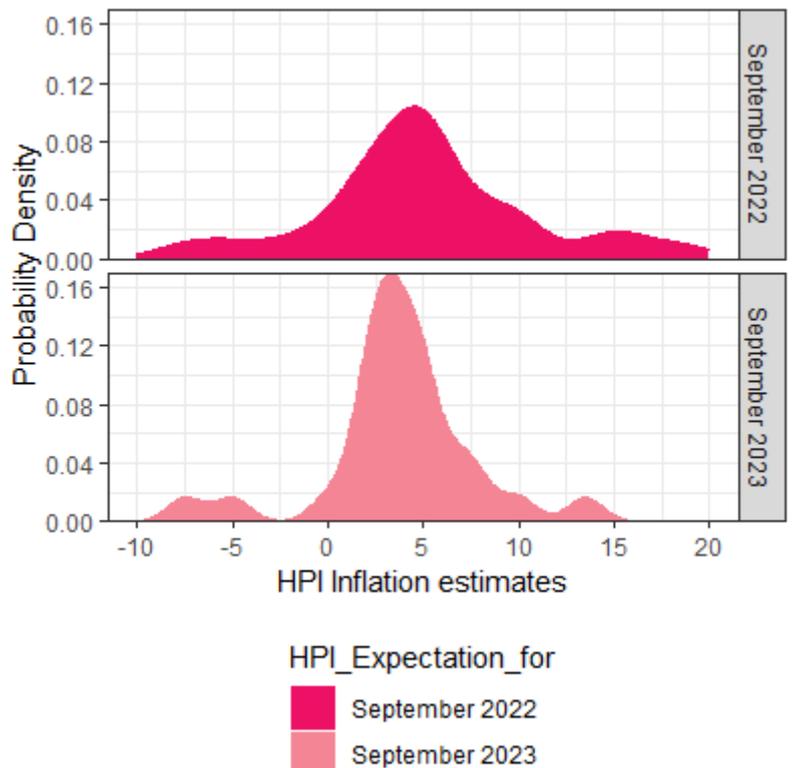
House price growth expected to slow over the next two years

Respondents to the most recent Survey of Expectations had the lowest estimates of house price inflation since July last year.

The mean estimate for house price inflation one year ahead was 5.06% (down from 6.73%) last quarter, and two years ahead was 3.72% (down from 4.15% last quarter).

Both of these estimates are significantly lower than the most up to date REINZ HPI figure of 29.9%.

HPI expectations from November 2021 Business SOE



HPI estimates for both one and two years ahead are at their lowest since July 2020

About the Business Survey of Expectations:

The data for this report was obtained from 35 business leaders and professional forecasters by the Nielsen group on behalf of RBNZ. Field work for the survey was run between 19 October and 26 October 2021. For more information contact: statsunit@rbnz.govt.nz