



Some of the figures below are medians and therefore will not align with figures in the RBNZ M14 table which display means.

Summary

- OCR expectations indicate that forward guidance is succeeding but respondents still expect a negative cash rate in the medium term
- Most respondents don't believe inflation will be at the 2% goal until around September 2025
- Unemployment is expected to be 6.8% in a year's time
- House price inflation expected to be around 5% one year ahead
- Exports expected to experience significant bounce back in 2022

Due to differences in response size between questions in the SOE, the graphs below use probability density on the y axis instead of frequency. They can still be interpreted as a form of smoothed bar chart.

OCR expectations

Short term

Respondents continued to display faith in the forward guidance issued in the March 16 MPS. Of the 32 respondents, 29 expected the OCR to remain at 0.25 until the end of the December 2020 quarter. This is consistent with responses given in the July and April Surveys with only a small minority each quarter expecting a shift.

Mid term

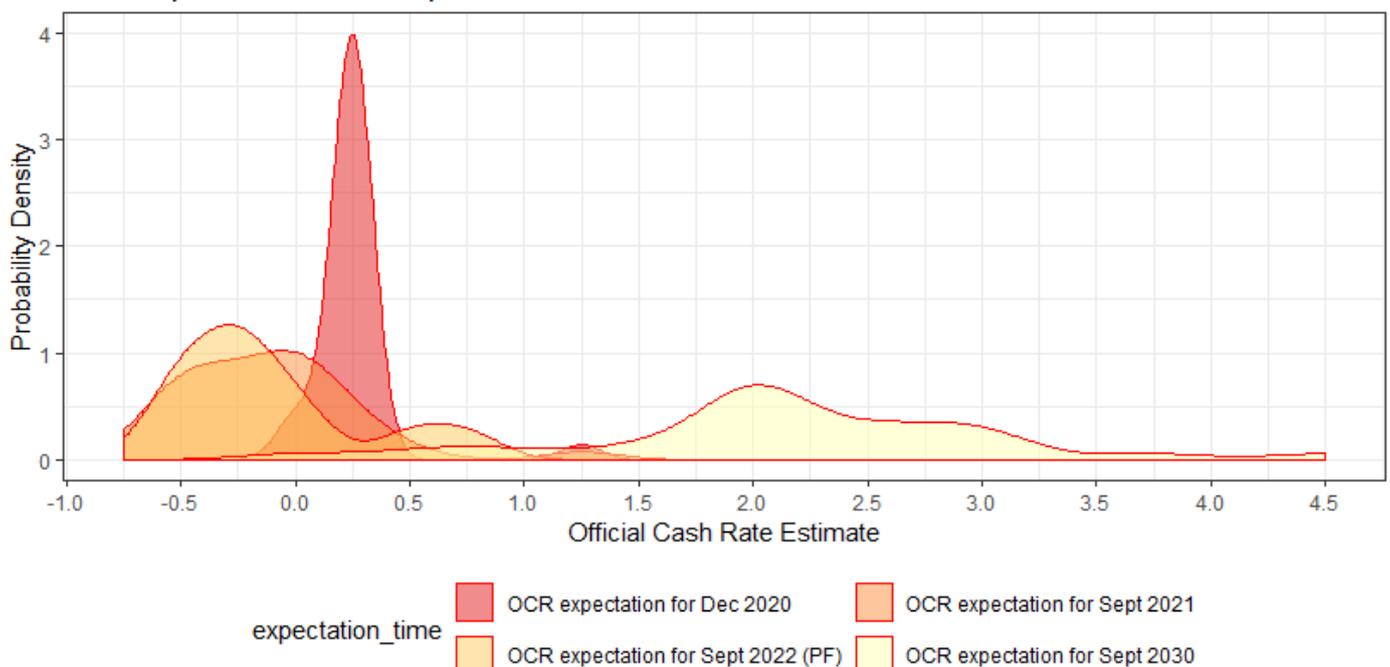
Looking one year ahead, a clear majority of the respondents expected the OCR to go to 0 or less. Of this group there was almost an even split of estimates between 0, -25 and -50 basis points. Of the minority that did expect the OCR to be positive in a year's time, nearly all expected the rate to still sit at 0.25 with only two participants expecting a higher OCR by then.

OCR expectations for two years ahead showed a very similar trend.

Long term

OCR expectations for 10 years ahead had a wide spread, but most expectations were in the range of 2.00 to 3.00 indicating some optimism about the pandemic recovery over the long term.

OCR expectations from Sept 2020 Business SOE

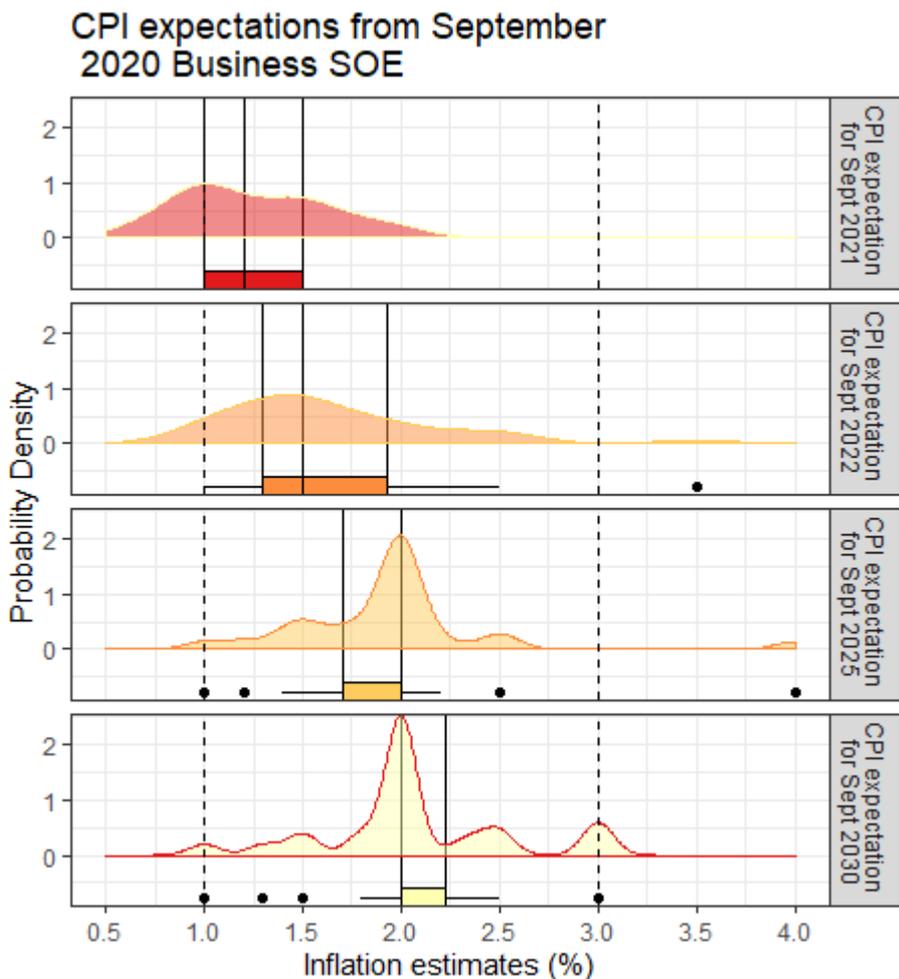


CPI Expectations

Expectations for inflation one year ahead were slightly pessimistic. The bulk of responses sat within RBNZ's target range of 1-3%, but with a median of only 1.2% most estimates were still below the current inflation rate of 1.4%.

Looking forward two years, estimates were a little more optimistic with all responses sitting within the target range and a higher median of 1.65%.

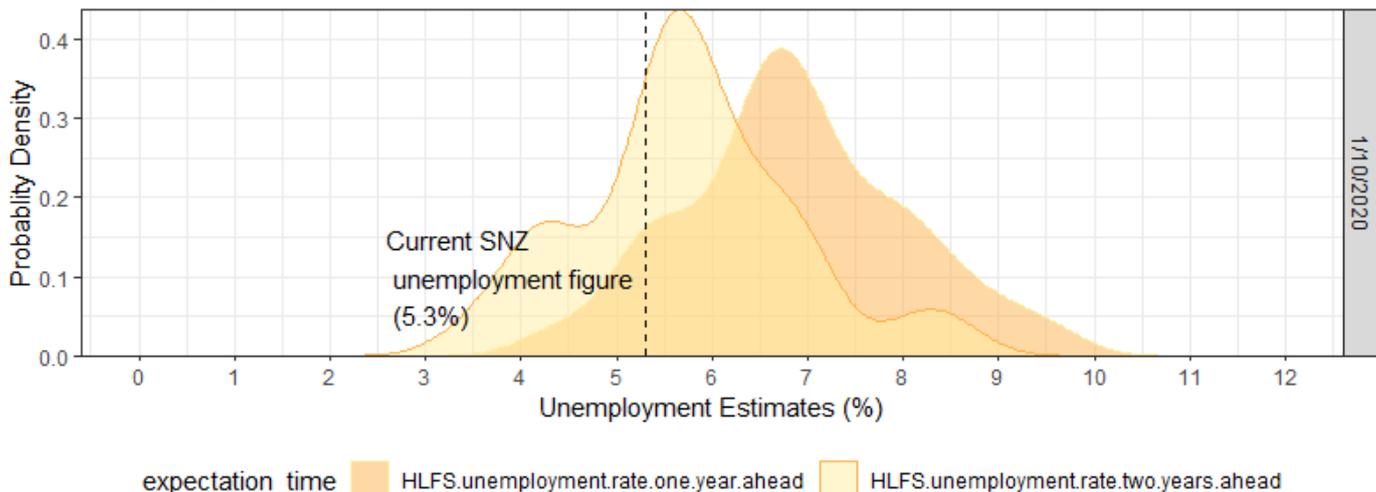
In the long term, inflation estimates were much more in line with RBNZ targets with both the 5 year and 10 horizons having medians of exactly 2% and most estimates sitting tightly around this point.



Employment Expectations

Unemployment expectations have softened slightly in the last quarter, but a wide range of estimates indicate a lack of certainty remains for the New Zealand labour force. Expectations for unemployment one year ahead have a median of 6.8% which sits 1.5% higher than our current measure of 5.3%. Most respondents expected the labour force to fare better in 2022 than 2021 with the median unemployment estimate decreasing to 5.7%, still slightly higher than New Zealand's current level.

Unemployment Expectations from Sept 2020 Business SOE

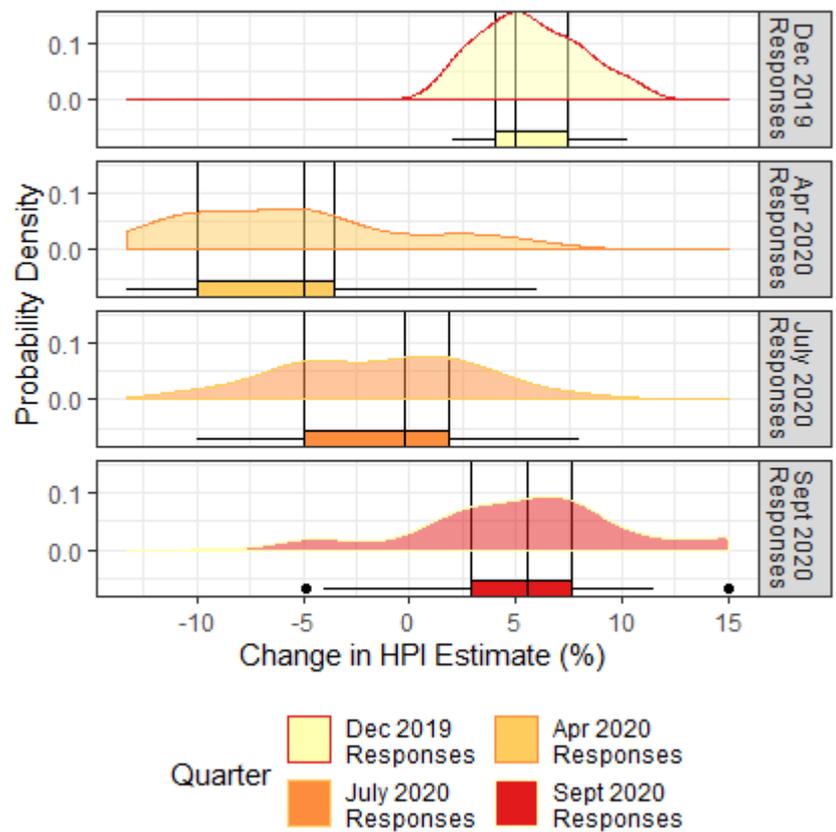


Housing Expectations

Last quarter there was a large amount of uncertainty around house price inflation with respondents almost evenly split on whether or not prices would go up or down.

In the last three months house prices have defied many market predictions and increased significantly according to most data, and forecasters expect this trend to continue. This quarter, the median expectation for house price inflation one year ahead was 5%, but with some estimates as low as -5% and as high as 15% it shows there's still a lot of uncertainty in this area.

HPI movement expectations from last four quarters of SOE

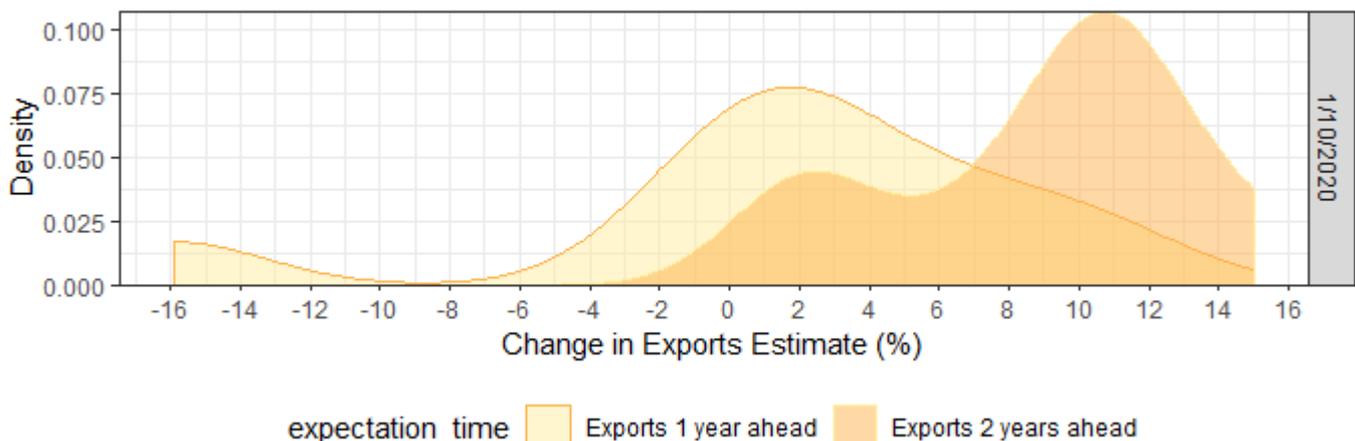


Export expectations

While a small minority of participants expect a significant decrease in exports looking ahead one year, the majority of responses estimated exports would increase modestly with a median of 2%.

Further ahead the outlook looks more positive with respondents forecasting a 10.2% increase on exports two years out. The main reason for this significant rise in such a short window of time will be the expectation that the New Zealand border will be open allowing international tourism to return (tourism was New Zealand's largest export pre-COVID).

Export Expectations from Sept 2020 Business SOE



About the Business Survey of Expectations

The data for this report was obtained from 32 business leaders and professional forecasters by the Nielsen group on behalf of RBNZ

For more information contact statsunit@rbnz.govt.nz