

Public Perspectives on Monetary Policy

Summary of results from a public survey

October 2022



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Introduction

The Reserve Bank of New Zealand – Te Pūtea Matua – is conducting its first five-yearly review into the Monetary Policy Committee’s (MPC’s) Remit.¹ As part of this review, the Reserve Bank has sought feedback on the design of the *Remit* through different channels. This paper summarises the results of an online survey conducted during the first public consultation which opened on 1 June 2022 and closed on 15 July 2022.

The survey was conducted through Dynata, which surveyed a representative sample of 1,041 New Zealanders. It asked questions about perspectives and understanding of the New Zealand economy, inflation, unemployment, and the Reserve Bank. During the survey period, annual consumers price index (CPI) inflation was 6.9% and the annual unemployment rate was 3.2%. This data was from the March 2022 quarter.

The survey was also accessible online via the Reserve Bank website, for anyone who chose to complete it. In total, 321 self-selected respondents completed the survey. We separate the results of the representative sample and the self-selected sample because the self-selected sample is subject to selection bias, therefore their results are not expected to represent the full population of New Zealanders. Respondents who self-selected by completing the survey via the Reserve Bank website were found to be more familiar with economic terms such as the CPI and maximum sustainable employment (MSE). Additionally, they appear to represent a portion of New Zealanders who are more engaged on topics related to monetary policy. Significant demographic differences between the samples include gender, age, location, and education (figures 1 to 4).

Figure 1: Gender

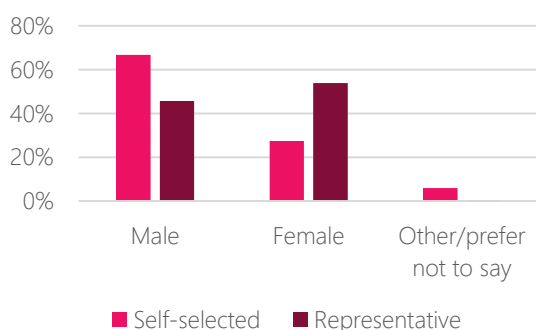


Figure 2: Age group

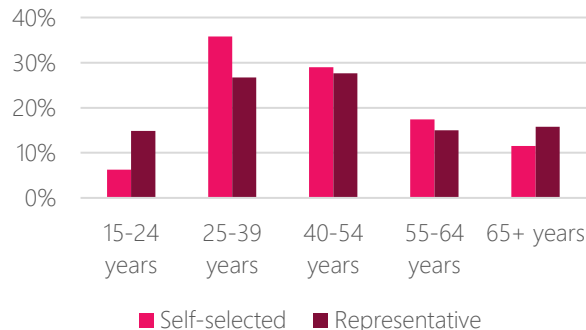
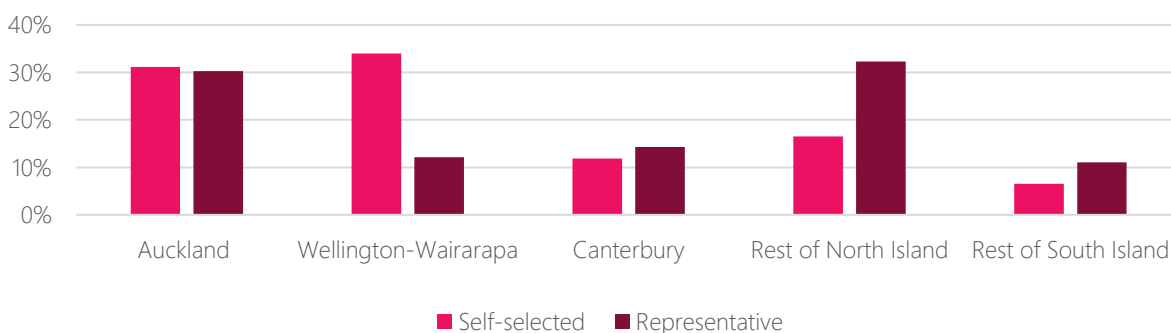


Figure 3: Location



¹ The Reserve Bank of New Zealand Act (2021) requires the Reserve Bank to provide advice to the Minister of Finance at least once every 5 years about possible changes to the *Remit*.

Figure 4: Education



Executive Summary

- A majority of respondents were interested in the state of the NZ economy, although respondents were overall less confident in their knowledge on this topic.
- The most common way of getting information about the state of the NZ economy is through the media (81% of all respondents).
- A majority of respondents in the representative sample had heard of terms such as GDP, CPI, and the official cash rate (OCR) (~70%), while some had heard of none of these terms (11%). Only 15% had heard of MSE.
- Respondents from the representative sample were broadly interested in inflation (75% 'somewhat' or 'very interested'). In relation to this topic, they were most worried about the prices of food and groceries.
- When asked about unemployment, respondents in the representative sample were concerned with increasing prices of goods and services to a similar extent that they were concerned about themselves or people they care about losing their jobs.
- There was broad familiarity with the Reserve Bank's roles in managing cash, keeping inflation low and stable, and influencing interest rates. There was less certainty and understanding of the Reserve Bank's role in relation to employment.
- Of those who had heard of the OCR, around half of the representative sample had heard something recently from the Reserve Bank, compared with almost all of the self-selected sample.
- Only 30% of respondents in the representative sample knew the Reserve Bank's target inflation range, while 82% of the self-selected sample knew the target range.
- Almost a third of all respondents (32%) were not at all confident in the Reserve Bank to get inflation back within the target range by 2024. Respondents reported a variety of reasons for their views.

1. The New Zealand Economy

1.1 Interest and Knowledge

The majority of respondents reported that they are interested in, and have substantial knowledge of, the state of the New Zealand economy (figures 5 and 6). The self-selected sample reported higher interest and knowledge regarding the state of the economy than the representative sample.

Figure 5: How interested would you say you are in the state of the New Zealand economy and the factors that drive its performance?

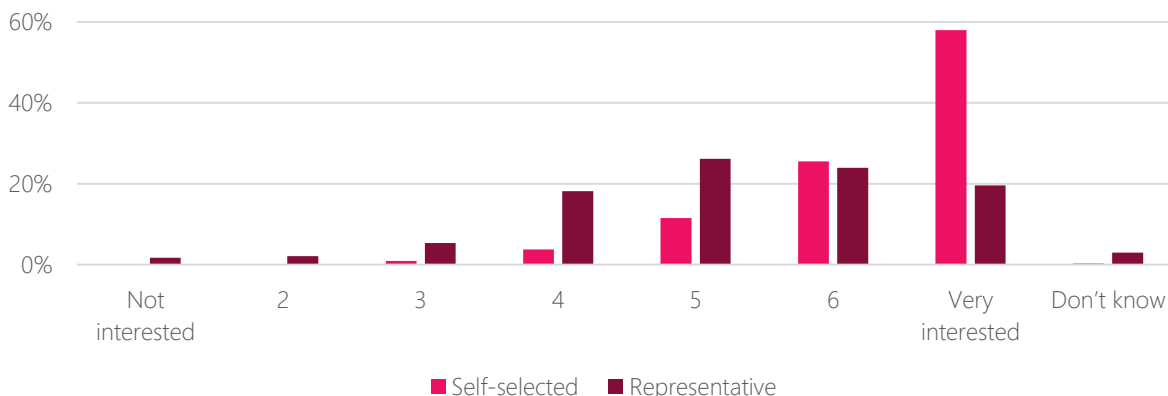
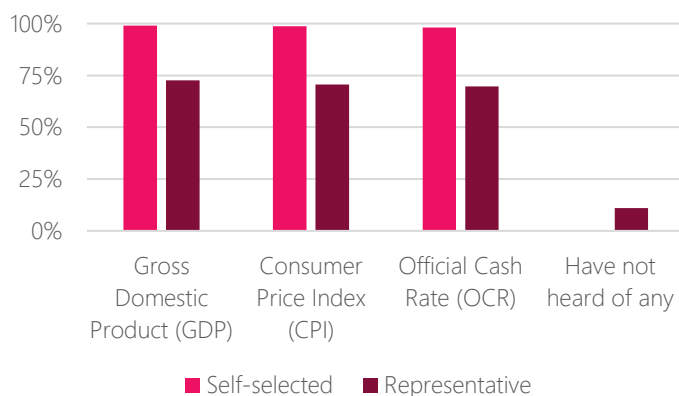


Figure 6: How much would you say you know about the New Zealand economy and its current state?



Figure 7: Which of these terms have you heard before today?



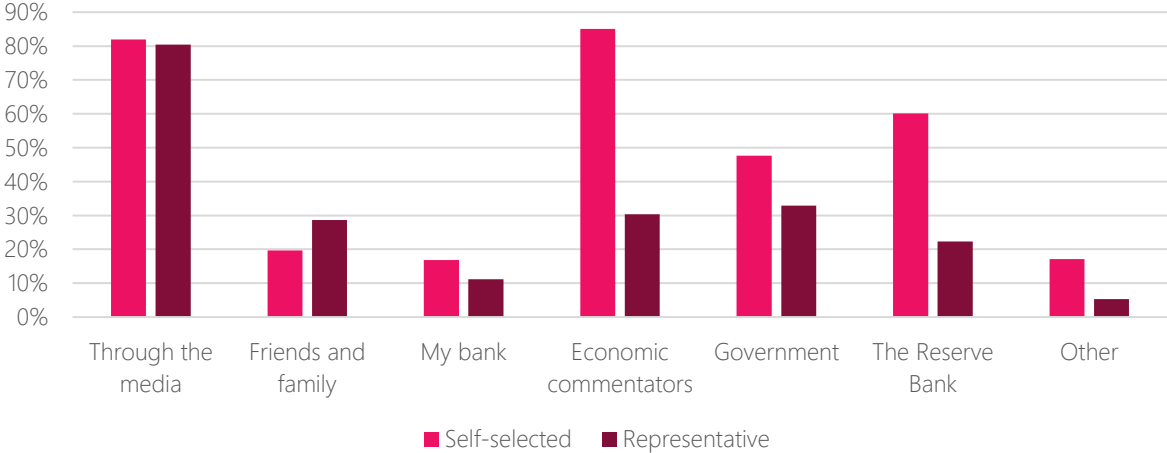
Around 70% of representative respondents had heard of each of the terms gross domestic product (GDP), CPI, and the official cash rate (OCR) (figure 7), while only 11% had not heard of any of these terms before.

Conversely, almost all self-selected respondents were familiar with these terms (~99%).

1.2 Accessing Information

Of the representative sample, a majority of respondents (80%) get information about the state of the economy through the media (figure 8). This was followed by the Government (33%), economic commentators (30%), friends and family (29%), and directly from the Reserve Bank (22%). A smaller proportion reported getting information from their personal bank (11%). Similarly, most self-selected respondents stated that they get information from the media (82%), but were more likely to get information from economic commentators, the Reserve Bank, and the Government (85%, 60%, and 48% respectively).²

Figure 8: Where do you get most of your information about the state of the economy from?



² Respondents were able to select multiple sources of information and we are unable to determine the proportion of information respondents get from each source.

2. The Reserve Bank of New Zealand

2.1 Roles and Responsibilities

The vast majority of representative respondents (93%) had heard of the Reserve Bank, 5% had not, while 2% stated that they 'did not know' in response to the referenced question.

When asked about the Reserve Bank's role and responsibilities, a majority of representative respondents understood them to include: managing the amount of cash in the economy, influencing what people pay in interest, and keeping inflation low and stable (80%, 70%, and 69% respectively) (figure 9). There was less clarity around whether the Reserve Bank is responsible for keeping employment at its maximum sustainable level, with 22% of representative respondents believing this to be true, 41% believing it to be false, and 38% stating they do not know. It is possible this uncertainty is related to a lack of understanding of the concept of MSE, as 73% of representative respondents stated they had not heard of MSE before (figure 25).

The self-selected respondents were more confident in knowing the role and responsibilities of the Reserve Bank, although the employment objective was again less well known (figure 10).

Figure 9: Representative sample - Which of the following is true and which is not true of the Reserve Bank's role and responsibilities?

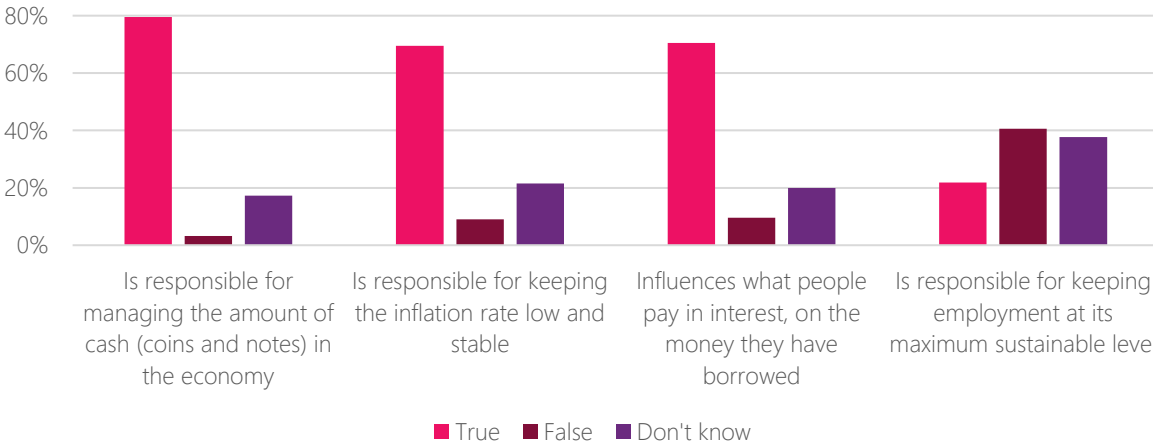
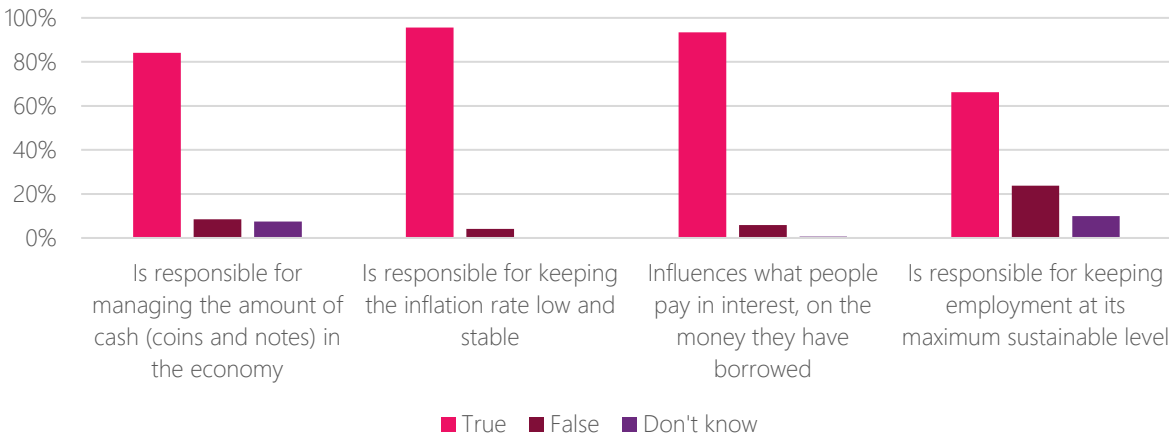


Figure 10: Self-selected sample - Which of the following is true and which is not true of the Reserve Bank's role and responsibilities?



2.2 Familiarity with the Official Cash Rate

The OCR is the interest rate set by the Reserve Bank. The Reserve Bank uses the OCR to influence the level of economic activity and inflation. 21% of representative respondents reported not having heard of the OCR before, with 73% having heard of the rate. In comparison, 99% of self-selected respondents had heard of the OCR before.

Of those in the representative sample who had heard of the OCR, the most common source of information was the media (79%), and to a lesser extent economic commentators (20%), the government (13%), and Reserve Bank (11%) (figure 11). Self-selected respondents were more likely to get information from economic commentators (65%), the Reserve Bank (55%), and the government (22%). These are similar results to those of how representative and self-selected respondents get information about the state of the New Zealand economy.

Figure 11: Where did you see or hear the information on the OCR?

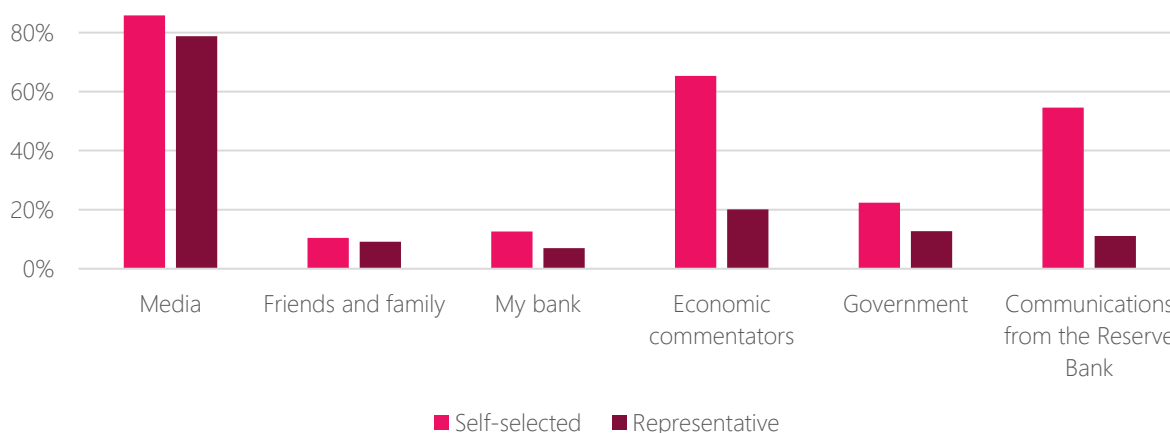
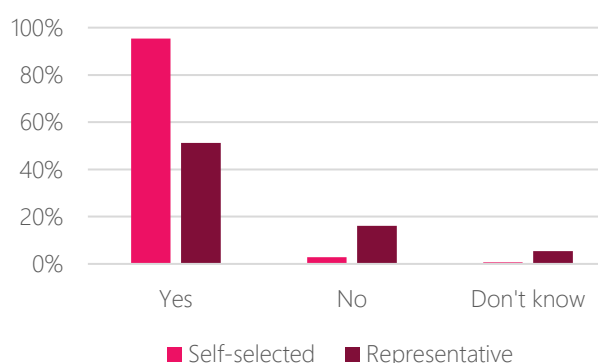


Figure 12: Have you seen or heard anything recently from the Reserve Bank on the OCR?



Of all respondents who have heard of the OCR, 70% had seen or heard something recently from the Reserve Bank. These respondents were made up of half of the representative sample and 95% of the self-selected respondents (figure 12)

2.3 Accessing Information on the Official Cash Rate

Self-selected respondents were more likely to know where to access OCR information, and to understand it (figures 13-15). They were also more likely to agree that the Reserve Bank makes it easy to get information about the current OCR. Of the self-selected respondents, 72% agreed or strongly agreed that Reserve Bank OCR announcements are easy to understand, and 12% disagreed or strongly disagreed. Of the representative sample, 47% agreed or strongly agreed, while 20% disagreed or strongly disagreed.

Figure 13: I know how to get information about the current level of the OCR



Figure 14: The Reserve Bank makes it easy for me to get information about the current level of the OCR

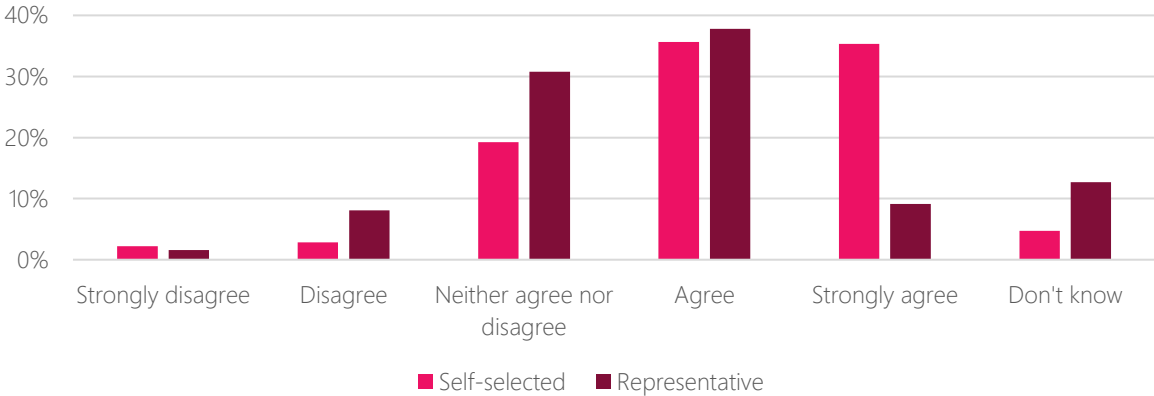
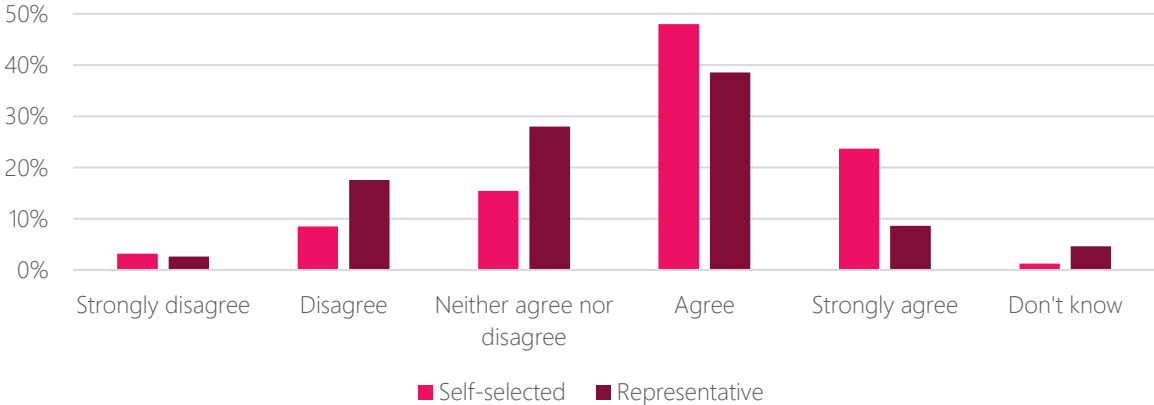


Figure 15: Reserve Bank announcements about the OCR are easy to understand

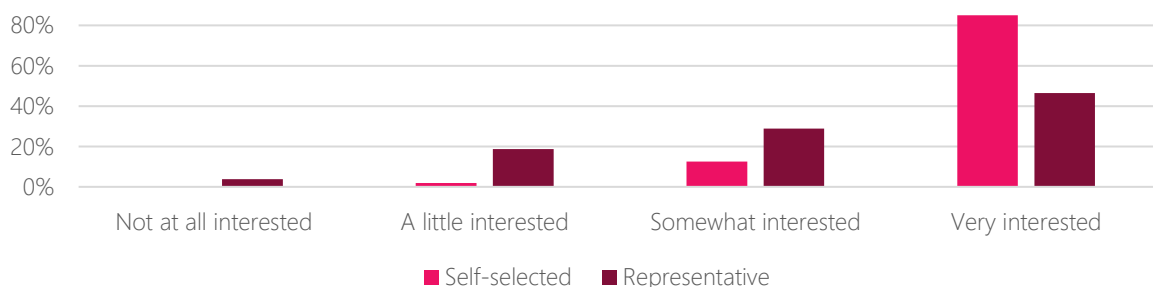


3. Monetary Policy Remit Objectives

3.1 Price Stability

Inflation is a rise in the average level of prices through the economy. The Reserve Bank has an objective to maintain a stable general level of prices by keeping future annual CPI inflation between 1% and 3% over the medium term. 75% of representative respondents and 98% of self-selected respondents were 'somewhat' or 'very interested' in inflation (figure 16).

Figure 16: How much is inflation a subject topic that interests you?

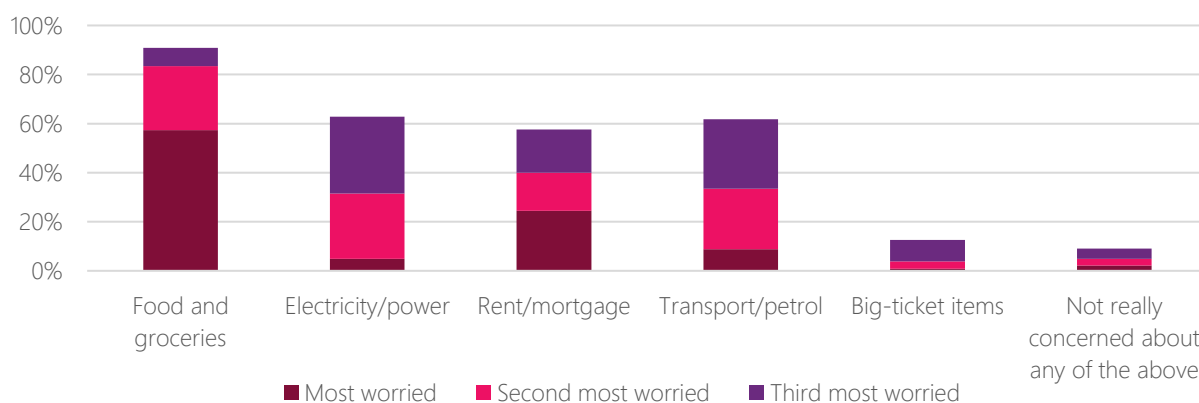


Respondents were asked which prices they were most worried about when they think of inflation and how it affects their family (figures 17 and 18).³ Respondents from the representative sample were most worried about the prices of food and groceries (57%), and then to a lesser extent rent/mortgage prices (24%).

Respondents from the self-selected sample had less difference between these categories, with 43% being most worried about food and groceries, and 40% being most worried about rent/mortgage prices. There was also significant concern for both electricity/power and transport/petrol prices, though these were more likely to be ranked as respondents' second and third "most worried about" categories.

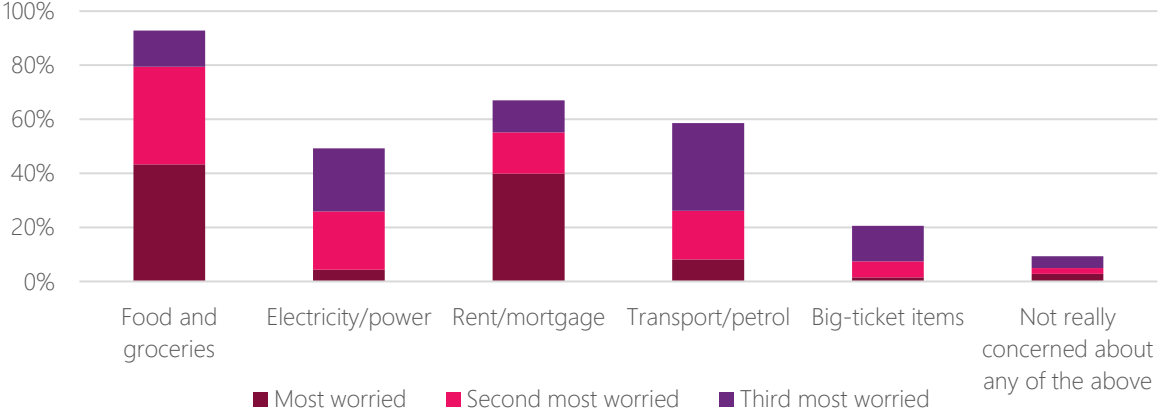
There was less concern about 'big-ticket' items across both representative and self-selected samples. This may reflect the low frequency of big-ticket item purchases compared with other consumer goods and services.

Figure 17: Representative sample - When you think about inflation and how it affects you and your family/whānau, which of the following are you most worried about?



³ Topics displayed are those with the greatest number of responses, and are not exhaustive.

Figure 18: Self-selected sample - When you think about inflation and how it affects you and your family/whānau, which of the following are you most worried about?



Respondents were given the below three inflation scenarios, and asked how worried they were about each (figures 19 and 20). Respondents were able to choose the same level of concern for each scenario.

- A. If the inflation rate reached 3%, and was still at this level 24 months later
- B. If the inflation rate reached 5%, but then declined to 2% within 24 months
- C. If the inflation rate reached 5%, and was still at this level 24 months later

Figure 19: Representative sample – How worried are you about the above inflation scenarios?

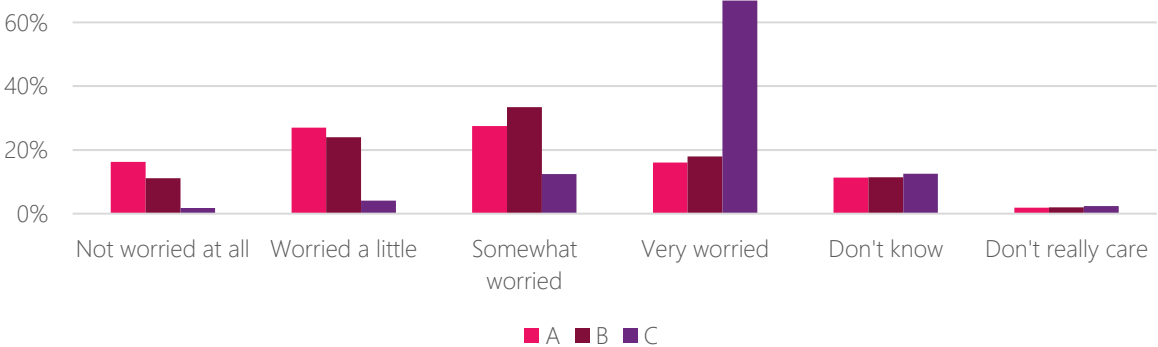
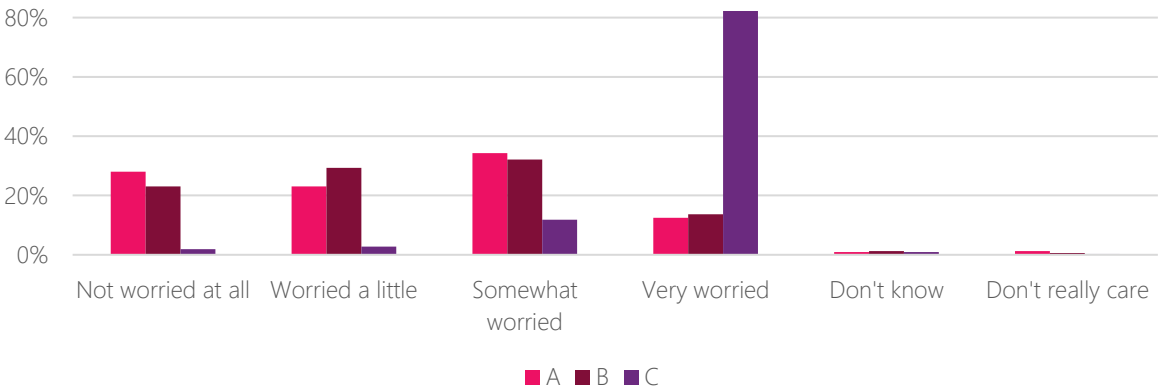


Figure 20: Self-selected sample – How worried are you about the above inflation scenarios?



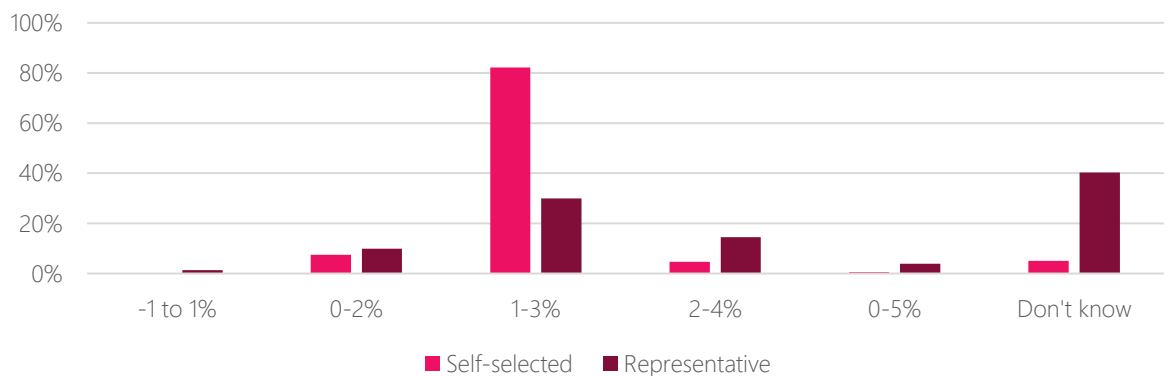
During the survey period, annual CPI inflation had averaged 2.5% over the previous five years. Respondents were asked how accurately this reflected their household's experience of inflation (figure 21). Of the representative respondents, 41% believe they've experienced higher inflation, 34% thought it was about right, while 20% did not know. Self-selected respondents were more likely (59%) to say they've experienced higher inflation.

Figure 21: How accurately has the average CPI of 2.5% per year over the past five years reflected your household's experience of inflation?



The Reserve Bank target range for inflation is 1-3%. Respondents were asked what the target range was, to the best of their knowledge (figure 22). Of the representative respondents, 30% knew that the Reserve Bank target range is 1-3%, while 40% did not know, and the remaining 40% stated an incorrect range. A much larger proportion of self-selected respondents knew the inflation target, with 82% stating the correct range.

Figure 22: To the best of your knowledge, what is the Reserve Bank target range for inflation?



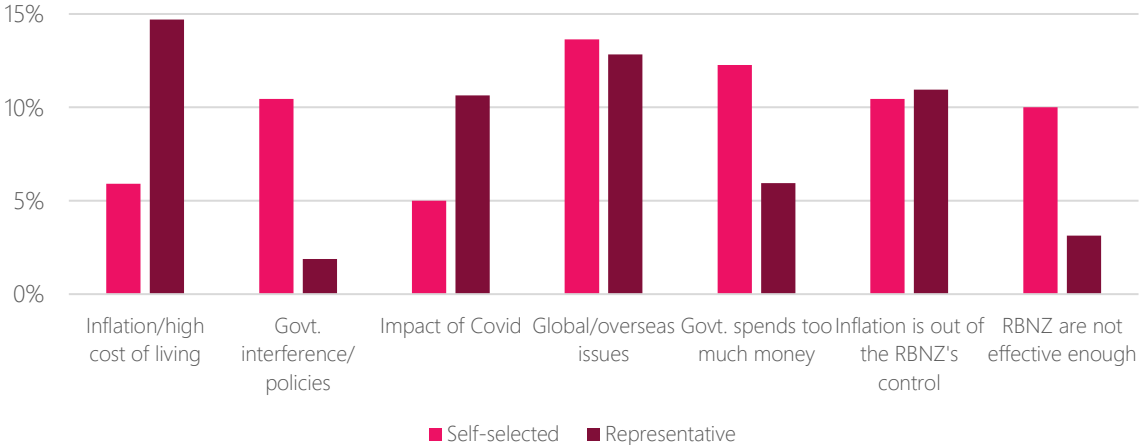
Inflation is currently higher than the target range. Respondents were asked how much confidence they have in the Reserve Bank to get inflation back within the target range of 1-3% by 2024. Significant proportions of both the representative and self-selected samples reported they are not at all confident (28% and 43% respectively), and 15% of the representative sample said they do not know (figure 23). Some were more confident, however, with 23% of the representative sample and 28% of the self-selected sample being 'somewhat' or 'extremely confident' in the Reserve Bank getting inflation back within the target range.

Figure 23: How much confidence do you have in the Reserve Bank to get inflation back within the target range of 1-3% by 2024?



The respondents who were only 'a little confident' or 'not at all confident' in the Reserve Bank to get inflation back within the target range were asked why. Figure 24 shows data from open text responses that have been coded according to topic.⁴ Self-selected sample respondents were more likely to mention Government actions and Reserve Bank ineffectiveness, while representative sample respondents were more likely to mention inflation and the impact of Covid-19.

Figure 24: The main reasons respondents were 'a little confident' or 'not at all confident' in the Reserve Bank to get inflation back within the target range by 2024.⁵



⁴ Each response could be coded under multiple topics, so data does not necessarily indicate which topics were of concern to the greatest number of respondents. Topics displayed are those with the greatest number of responses, and are not exhaustive.

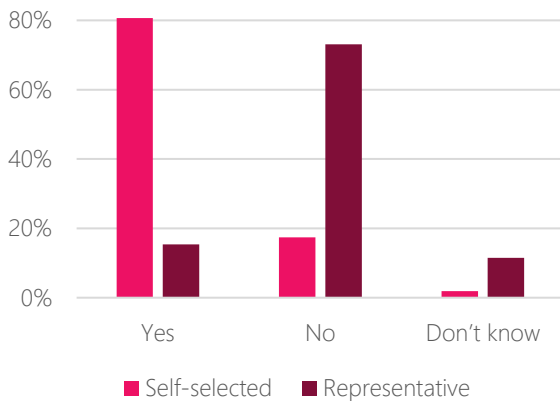
⁵ Expressed as a percentage of those who were 'a little confident' or 'not at all confident.'

3.2 Maximum Sustainable Employment

Maximum sustainable employment (MSE) is the highest level of employment a country can sustain, without causing inflation to increase.

The Reserve Bank has an objective to support maximum sustainable employment (MSE), and takes this into account when setting the OCR. MSE is not observable, so the Reserve Bank uses a range of measures to assess where employment is relative to MSE. One of those measures is the unemployment rate, which was 3.2% at the time of the survey.

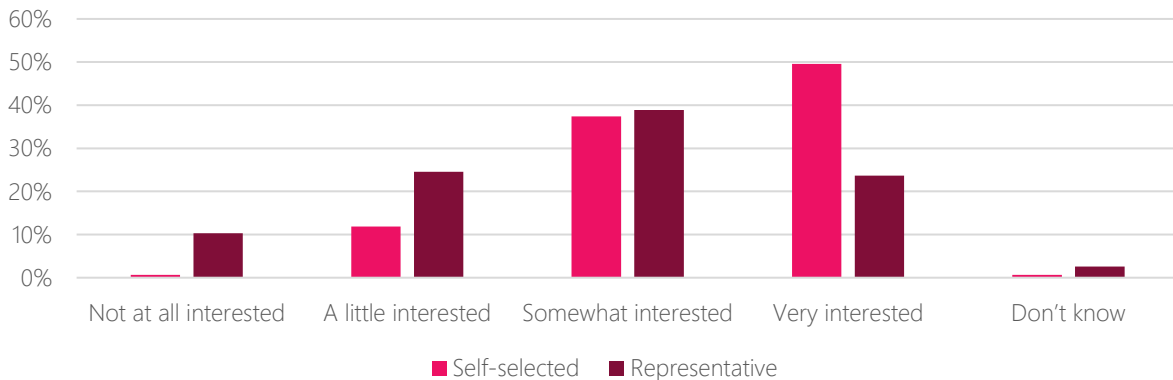
Figure 25: Have you heard of maximum sustainable employment (MSE) before today?



Almost three-quarters of representative respondents had not heard of MSE before, while a significant proportion (81%) of self-selected respondents were familiar with the term (figure 25).

Of the representative sample, 63% of respondents reported being somewhat or very interested in unemployment, compared with 87% of self-selected respondents (figure 26). For both samples, interest in unemployment was lower than interest in inflation (75% and 98% respectively).

Figure 26: How much is unemployment a subject topic that interests you?



Respondents were asked what they were most worried about when they think about unemployment. Respondents from the representative sample were as concerned about the price of goods and services as they were about themselves or people they care about losing jobs (figure 27). In contrast, the self-selected sample was more likely to worry about themselves or people they care about losing jobs, with less than a third worrying about increasing prices of goods and services (figure 28). There were similar levels of worry across both samples when it came to increasing taxes or changing incomes.

Figure 27: Representative sample - When you think about unemployment, which of the following are you most worried about?

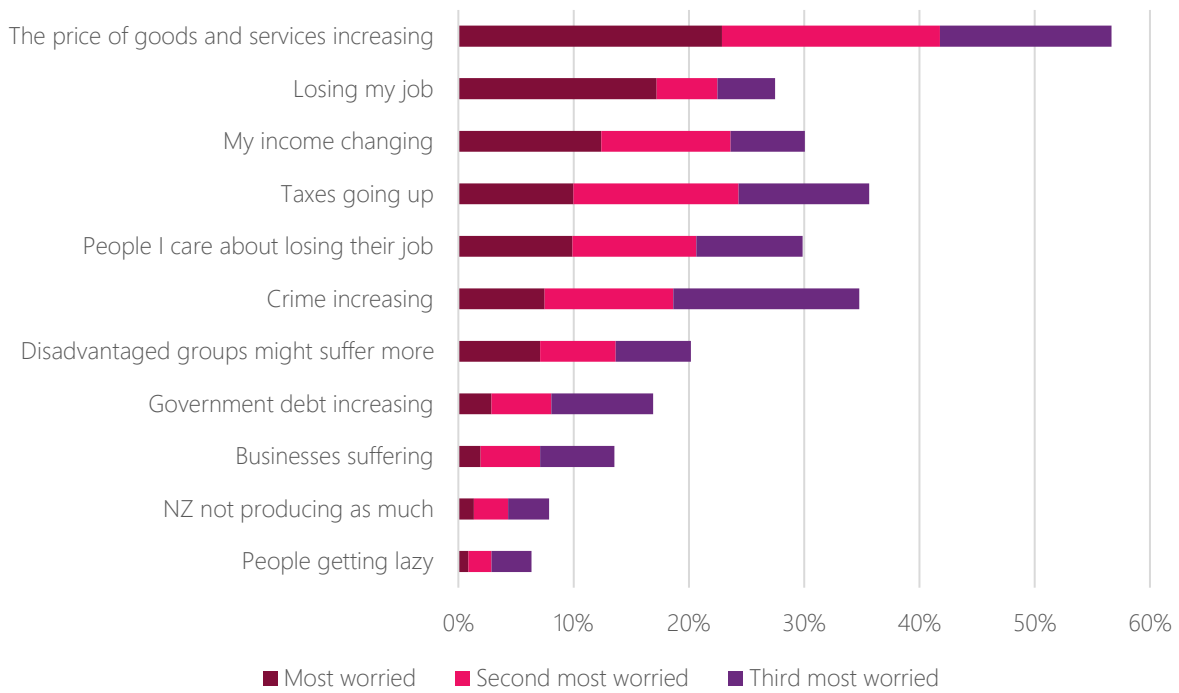


Figure 28: Self-selected sample - When you think about unemployment, which of the following are you most worried about?

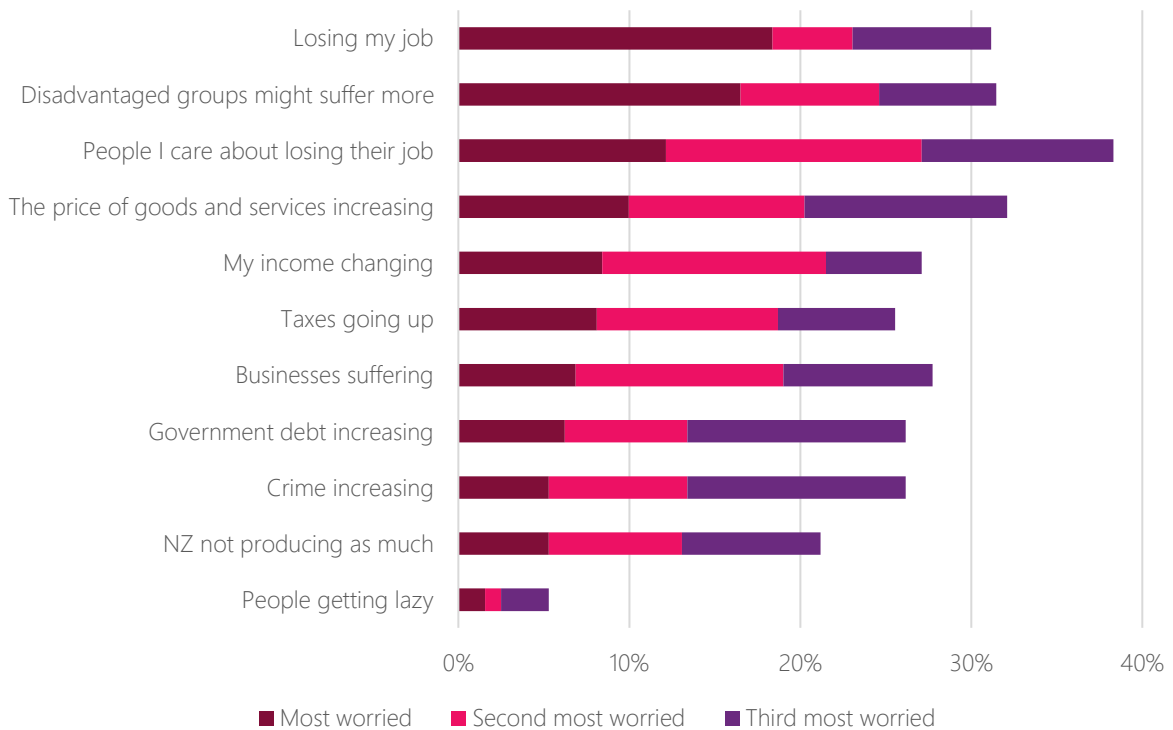
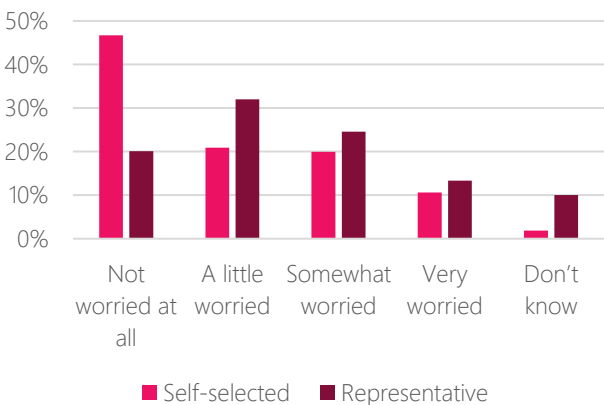


Figure 29: The current unemployment rate is 3.2%. How much do you worry about unemployment being higher than this?



When asked how much respondents worry about unemployment being higher than 3.2%, 38% of the representative sample were somewhat or very worried, compared with 31% of the self-selected sample. A smaller proportion of the representative sample were not worried at all (20%), compared with almost half of self-selected respondents (47%).

Respondents were given three unemployment rate scenarios, and asked how worried they were about each. Respondents were able to choose the same level of concern for each scenario.

- A. If the unemployment rate reached 6%, and was still at this level 24 months later
- B. If the unemployment rate reached 10%, but then declined to 6% within 24 months
- C. If the unemployment rate reached 10%, and was still at that level 24 months later

Figure 30: Representative sample – How worried are you about the above unemployment scenarios?

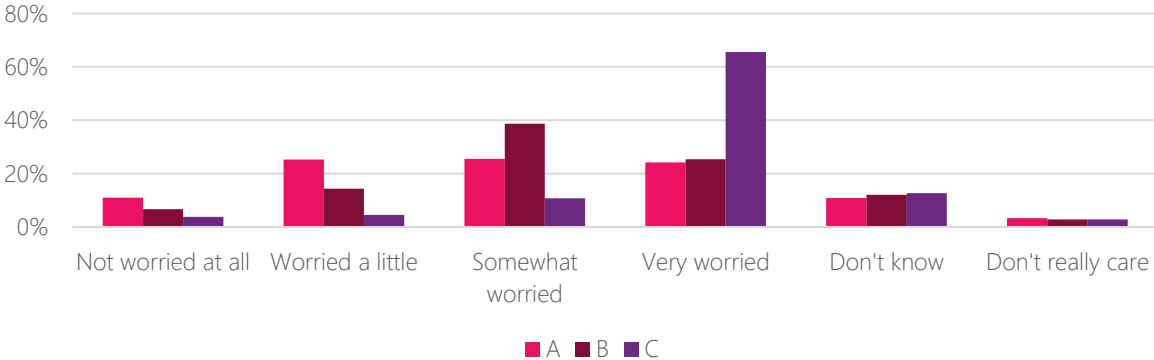
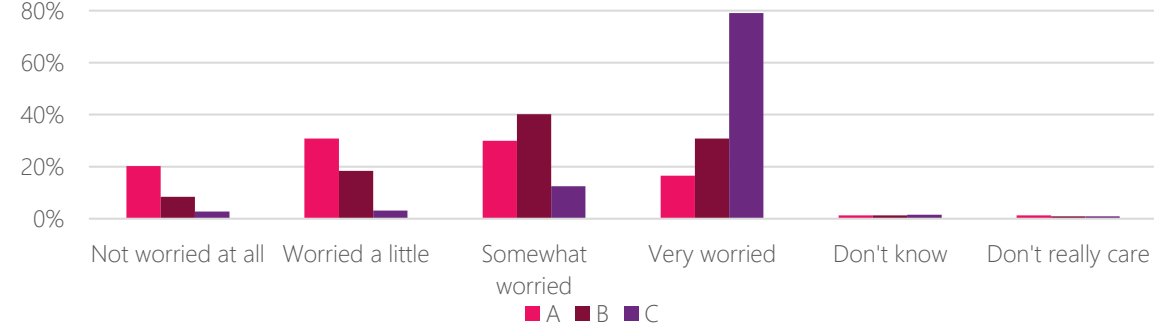


Figure 31: Self-selected sample – How worried are you about the above unemployment scenarios?



Appendix – Survey Questions

[Q1]: How interested would you say you are in the state of the New Zealand economy and the factors that drive its performance? Please show how interested you are using this scale.

- 1 Not at all interested
- 2 2
- 3 3
- 4 4
- 5 5
- 6 6
- 7 Very interested
- 98 Don't know

[Q2]: And how much would you say you know about the New Zealand economy and its current state? Please show how knowledgeable you feel using this scale.

- 1 Know nothing at all
- 2 2
- 3 3
- 4 4
- 5 5
- 6 6
- 7 Know all there is to know
- 98 Don't know

Q3: Which of these terms have you heard before today?

- 0 Unchecked
- 1 Checked
- [Q3r1] Gross Domestic Product (GDP)
- [Q3r2] Consumer Price Index (CPI)
- [Q3r3] Official Cash Rate (OCR)
- [Q3r4] Have not heard of any of the above before today
- [Q3r98] Don't know

Q4: Where do you get most of your information about the state of the economy from? Is it ...

- 0 Unchecked
- 1 Checked
- [Q4r1] Through the media
- [Q4r2] Friends and family
- [Q4r3] My bank
- [Q4r4] Economic commentators
- [Q4r5] Government
- [Q4r6] The Reserve Bank
- [Q4r7] Other Specify
- [Q4r8] Don't know

[Q4r7oe]: Where do you get most of your information about the state of the economy from? Is it ... - Other Specify

Open text response

[Q5]: Before today, had you heard of the Reserve Bank of New Zealand?

- 1 Yes
- 2 No
- 98 Don't know

Q6: Which of the following is true and which is not true of the Reserve Bank's role and responsibilities? It's OK to say you 'Don't know'.

- 1 True
- 2 False
- 98 Don't know

[Q6r1] Is responsible for managing the amount of cash (coins and notes) in the economy

[Q6r2] Is responsible for keeping the inflation rate low and stable

[Q6r3] Influences what people pay in interest, on the money they have borrowed

[Q6r4] Is responsible for keeping employment at its maximum sustainable level

[Q7]: The Official Cash Rate (OCR) is the interest rate set by the Reserve Bank, which is New Zealand's central bank. The Reserve Bank uses the OCR to influence the level of economic activity and inflation. Have you heard about the OCR before today?

- 1 Yes
- 2 No
- 3 Don't know

[Q8]: And have you seen or heard anything recently from the Reserve Bank on the OCR?

- 1 Yes
- 2 No
- 3 Don't know

Q9: Where did you see or hear this from?

0 Unchecked

1 Checked

[Q9r1] The media

[Q9r2] From friends and family

[Q9r3] My bank

[Q9r4] Economic commentators

[Q9r5] Government

[Q9r6] Communications from the Reserve Bank itself

[Q9r7] Other Specify

[Q9r8] Can't remember

[Q9r7oe]: Where did you see or hear this from? - Other Specify

Open text response

Q10: How much do you agree or disagree with each of the following statements about the Reserve Bank's OCR communications? Use the scale along the top of the table. It's OK to say you 'Don't know'.

- 1 Strongly disagree
- 2 Disagree
- 3 Neither agree nor disagree
- 4 Agree
- 5 Strongly agree
- 98 Don't know

[Q10r1] The Reserve Bank announcements about the OCR are easy to understand

[Q10r2] I hear announcements about the OCR through my preferred sources

[Q10r3] I know how to get information about the current level of the OCR

[Q10r4] The Reserve Bank makes it easy for me to get information about the current level of the OCR

[Q11]: Now we'd like you to answer some questions about 'inflation'. Inflation is the rise in average prices through the economy. How much is this a subject topic that interests you?

- 1 Not at all interested
- 2 A little interested
- 3 Somewhat interested
- 4 Very interested
- 98 Don't know

[Q12]: What are your main concerns about high inflation?

Open text response

Q13: When you think about inflation and how it affects you and your family/whānau, which of the following are you most worried about; then which is next and which is the one following after that?

- 1 The price of food and groceries
- 2 The price you pay for electricity and/or other forms of power
- 3 Your rent/the interest rate of your mortgage
- 4 The price you pay for transportation, including the cost of petrol
- 5 The price of big-ticket items (e.g. appliances, motor vehicles, etc.)
- 97 Not really concerned about any of the above
- 98 Don't know

[Q13c1] Most worried about

[Q13c2] Second most worried about

[Q13c3] Third most worried about

[Q14]: The Reserve Bank aims to keep inflation within a target range. To the best of your knowledge, what is this range?

- 1 -1 to 1%
- 2 0-2%
- 3 1-3%
- 4 2-4%
- 5 0-5%
- 98 Don't know

Q15: The Reserve Bank target range for inflation is 1-3%. Inflation can be above or below the target for a variety of reasons, such as a sudden increase in global oil prices. The Reserve Bank sets the Official Cash Rate (OCR) to return inflation to target over time. In which of the following situations (A-C) would you become worried about the inflation rate, if at all?

- A: If the inflation rate reached 3%, and was still at this level 24 months later
- B: If the inflation rate reached 5%, but then declined to 2% within 24 months
- C: If the inflation rate reached 5%, and was still at this level 24 months later

Please provide a response to each situation (A-C) in the box below.

- 1 Not worried at all
- 2 Worried a little
- 3 Somewhat worried
- 4 Very worried
- 98 Don't know
- 99 Don't really care

[Q15c1] Situation A

[Q15c2] Situation B

[Q15c3] Situation C

[Q16]: Inflation in New Zealand is measured using the CPI (Consumer Price Index). Over the past 5 years, inflation has, according to the CPI, averaged 2.5% per year. What would you say about how accurately this reflects your household's experience of inflation?

- 1 Yes, that's about right
- 2 No, we've experienced higher inflation in our household
- 3 No, we haven't experienced as much inflation in our household.
- 98 Don't know

[Q17]: One of the Reserve Bank's jobs is to keep inflation low and stable, within the target range. Inflation is currently higher than the target range. How much confidence do you have in the Reserve Bank to get inflation back within the target range of 1-3% by 2024?

- 1 Not at all confident
- 2 A little confident
- 3 Somewhat confident
- 4 Extremely confident
- 98 Don't know

[Q18]: What are the main reasons you have no/little confidence?

Open text response

The next few questions are about employment, or more specifically unemployment.

[Q19]: How much is this a subject topic that interests you?

- 1 Not at all interested
- 2 A little interested
- 3 Somewhat interested
- 4 Very interested
- 98 Don't know

Q20: When you think about unemployment, which of the following are you most worried about; then which is next and which is the one following after that? Tick one in each of the following columns in the table.

- 1 Losing my job
 - 2 My income changing
 - 3 People I care about losing their job
 - 4 Disadvantaged groups might suffer more
 - 5 Taxes going up
 - 6 The price of goods and services increasing
 - 7 Businesses suffering
 - 8 NZ not producing as much
 - 9 People getting lazy
 - 10 Crime increasing
 - 11 Government debt increasing
 - 97 Not really concerned about any of the above
 - 98 Don't know
- [Q20c1] Most worried about
- [Q20c2] Second most worried about
- [Q20c3] Third most worried about

[Q21]: The current unemployment rate is 3.2%. How much do you worry about unemployment being higher than this?

- 1 Not worried at all
- 2 A little worried
- 3 Somewhat worried
- 4 Very worried
- 98 Don't know

[Q22]: Another objective of the Reserve Bank is to 'support maximum sustainable employment' (MSE). Have you heard of this phrase before today?

- 1 Yes
- 2 No
- 98 Don't know

[Q23]: How would you describe what this phrase means in simple terms?

Open text response

Q24: Maximum sustainable employment' (MSE) is the highest level of employment a country can sustain, without causing inflation to increase. The Reserve Bank has an objective to support maximum sustainable employment (MSE). It does this by estimating MSE and then setting the Official Cash Rate (OCR) so that employment is near the estimated MSE level. When the OCR increases, this will slow down the economy, and reduce the number of jobs. Likewise, when the OCR goes down, there will be more spending and more demand in the economy, and businesses will need to hire more staff to meet this demand. The unemployment rate in New Zealand is currently 3.2%. In which of the following situations (A-C) would you become worried about the unemployment rate, if at all?

- A: If the unemployment rate reached 6%, and was still at this level 24 months later
- B: If the unemployment rate reached 10%, but then declined to 6 % within 24 months
- C: If the unemployment rate reached 10%, and was still at that level 24 months later

Please provide a response to each situation (A-C) in the box below.

- 1 Not worried at all
- 2 Worried a little
- 3 Somewhat worried
- 4 Very worried
- 98 Don't know
- 99 Don't really care
- [Q24c1] Situation A
- [Q24c2] Situation B
- [Q24c3] Situation C