

Reserve Bank  
of New Zealand  
**Te Pūtea Matua**

# Tara-ā-Umanga Business Expectations Survey.

Development update following second pilot

19 September 2024

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## 1. Update on development activities

This paper provides an update on the development of Tara-ā-Umanga Business Expectations Survey following a second pilot survey in July 2024. A public consultation on the survey was undertaken during March 2024 and a first Pilot in April 2024.<sup>1</sup>

We are progressing towards a three-survey approach to measuring expectations, with surveys covering households, experts, and businesses (Table 1). Our new Business expectations survey will broaden industrial coverage to provide economy wide insights. To maintain consistency of long running timeseries we are not making immediate changes to the Survey of Expectations.

**Table 1 – RBNZ expectations surveys**

Name	Coverage	Timeseries	Sample size	Publication table(s)
Tara-ā-Whare – Household expectations survey	Households	Quarterly since March 1995	About 1,000 households	H1 and H2
Tara-ā-Pūkenga – (Expert) Survey of Expectations <sup>2</sup>	Experts, such as professional forecasters and economists <sup>3</sup>	Quarterly since September 1987	About 35 in recent quarters	M14
Tara-ā-Umanga – Business expectations survey	Economy wide <sup>4</sup>	Pilot data for April and July 2024.	Over 400 for full survey	Under development

We have been running the Survey of Expectations since 1987. The original sample size was around 200 respondents, but this has declined in recent years to about 70 in 2016 and less than 40 in 2024. The Survey of Expectations panel has been carefully chosen to cover a range of professional forecasters, economists, and industry leaders, but it is not a random probability sample – this means we are not able to use probability theory to make statistically valid inferences about a wider population beyond those responding to the survey. The sample has become progressively more focused on experts, such as professional forecasters, and less on the wider economy. In recognition of this, we will reframe the Survey of Expectations as focusing on the view of experts, and our new Business expectations survey will be a broad-industry survey.

### Summary of findings from second pilot survey

The second pilot was a scaled-up version of the first pilot, with a larger sample size. This included coverage of primary industries for the first time. Our testing activities successfully demonstrated the ability to scale the survey and provides initial information on respondents' willingness to complete the survey on more than one occasion.

<sup>1</sup> <https://rbnz.govt.nz/business-survey>

<sup>2</sup> Tara-ā-Pūkenga – (Expert) Survey of Expectations is currently a working title.

<sup>3</sup> Current coverage also includes industry leaders. This coverage will be reviewed once the Business expectations survey is fully established.

<sup>4</sup> All businesses with 6 or more employees, central and local government, and non-profit institutions serving households.

By making the survey shorter and quicker for businesses to fill in, we improved the willingness of respondents to agree to complete the survey again. The inclusion of primary industries (agriculture and mining)<sup>5</sup> allows us to understand the responses from those industries.

## Design Decisions

A shorter questionnaire had a noticeable effect on the willingness of respondents to repeat the survey. Having a panel of respondents who complete the survey every quarter is an important aspect of the survey design, so we plan to continue with the smaller number of core questions. These cover expectations for inflation, wages, and unemployment, at various time horizons.

We will continue to include primary industries for the next pilot. The response rates for small and medium-sized businesses in primary industries were somewhat lower than other strata. We will continue to monitor the quality impact of inclusion before making a final decision.

## Continuation of parallel testing before full survey implementation during 2025

We plan to run two more pilots (in October 2024 and January 2025) before intending to commence regular publication of the April 2025 survey in May 2025.<sup>6</sup> This will allow us to continue to build the sample size and timeseries, finalise weighting methodology, and build our systems and web tables.

We still have more to learn about attrition (participation over multiple quarters). Longer timeseries will be created by piloting over multiple quarters data. This will improve the data available to best consider appropriate survey methodology for outlier treatment and potential item non-response adjustments.

## Why enhance our surveys of expectations

Business expectations are important for the efficient transmission of monetary policy. As explained in our *Monetary Policy Handbook*<sup>7</sup>, expectations about future inflation play an important role in determining inflation. This is because households and businesses reflect their expectations in their price- and wage-setting decisions. Inflation expectations can also provide insight into whether households, firms and financial market participants believe the Reserve Bank will meet its inflation objective.

Given the importance of expectations for monetary policy decisions, running our own business survey provides us with complete control and certainty regarding the survey content, timing, and quality of results. The survey will be conducted in a short field window (6 working days) immediately following each quarters' CPI release. This means all respondents have equal backward looking inflation information. The short field window also means the results of the latest survey are available in time for consideration by the subsequent Monetary Policy Committee (MPC) meeting, ensuring they have near real-time expectations data.

The RBNZ makes use of several valuable third-party business surveys that include relevant topics of interest. However, most of these surveys are not based on random probability sampling.

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<sup>5</sup> Primary industries includes Agriculture, forestry & fishing, and Mining (ANZSIC2006 codes A and B).

<sup>6</sup> Consistent with the period descriptions for the existing surveys this will be referenced as the June quarter 2025 (field work will be in April 2025).

<sup>7</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/monetary-policy-handbook>

Questions tend to be qualitative in nature and reported statistics are often the net balance of positive and negative responses. Expectations elicited are only short term, at most looking one year ahead. In addition, there is limited information on businesses' expectations for wage inflation, which is an important component of general inflation dynamics.

Improving the quality of our survey estimates of inflation expectations reverses the declines in the sample size of the Survey of Expectations over the past decade. The initiative is also part of the wider response to our 2022 review of monetary policy that identified several areas where better data could improve our understanding of the economy to support high quality monetary policy decision-making.<sup>8</sup> For further information on the reasons for the survey see *Tara-ā-Umanga Business Expectations Survey: Design Proposals* (June 2024).<sup>9</sup>

## 2. Second pilot to continuing testing (July 2024)

### Key aims of second pilot

The key aims of the second pilot were to:

- Test the impacts of a shorter questionnaire, particularly on willingness to complete the survey for a second time.
- Observe the realised response rate for those who expressed a willingness to complete the survey again.
- Test the inclusion of Primary Industries.
- Increase the sample size.

### Successful build-up of cross-sectional and panel sample

We collaborated with Stats NZ to draw a stratified probability sample from the Statistical Business Register of 2,100 businesses for a second pilot survey conducted 18-25 July 2024 (6 working days). This comprised as 501 drawn for the first pilot, 99 drawn for the cognitive testing and an additional 1,500 drawn for the second pilot. The businesses selected for the first pilot and cognitive testing were considered to remain 'selected', and therefore 'in-scope', for the second pilot survey. This provides statistical validity to re-surveying businesses that stated a willingness to participate again and creates a panel element to the sample design.

### Response rates

Overall, the survey was completed by 251 businesses, representing 12% of the 2,100 selected<sup>10</sup>. This included 22 'repeat-respondents' from the 68 who participated in the first pilot. Response rates by industry and employment-size (Table 2) found the lowest response rates were for small and medium-sized primary industry firms, medium-sized retail, and small construction businesses. Small manufacturing firms had the highest response rate.

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<sup>8</sup> Review and Assessment of the Formulation and Implementation of Monetary Policy (RAFIMP) <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

<sup>9</sup> [https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/consultations/business-expectations-consultation/bes\\_proposals\\_post\\_consultation\\_pilot.pdf](https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/consultations/business-expectations-consultation/bes_proposals_post_consultation_pilot.pdf)

<sup>10</sup> Five selected businesses were not contacted due to overlap with the existing Survey of Expectations.

**Table 2 – Response rates by design strata**

Industries By Size	Primary	Manufacturing	Construction	Retail Trade	Other industries
Large (100+ employees)	15%	14%	12%	11%	9%
Medium (20-99 employees)	8%	18%	15%	8%	12%
Small (6-19 employees)	6%	22%	8%	15%	9%

### Willing to take part again: impact of fewer questions

Willingness to participate again next quarter was expressed by 61% of respondents (152 businesses) up from 44% of first-pilot respondents. This is likely due to the reduction in the number of questions asked. The mean time to complete the second pilot (with 8 quantitative questions) was 5.7 minutes (median 4) compared with 8.7 minutes (median 6) to complete the first pilot (with 15 quantitative questions).<sup>11</sup>

Most respondents willing to take part again also answer most of the questions with a numerical response (Table 3). Willingness to take part again is lower for small businesses (55% willing) and those in the retail industry (36% willing).

**Table 3 – Willing to complete again, by number of numerical answers**

Number of numerical answers	Willing to complete again	Not willing to complete again
3 or less	9	35
4 – 5	14	20
6 – 7	37	15
All 8	92	29

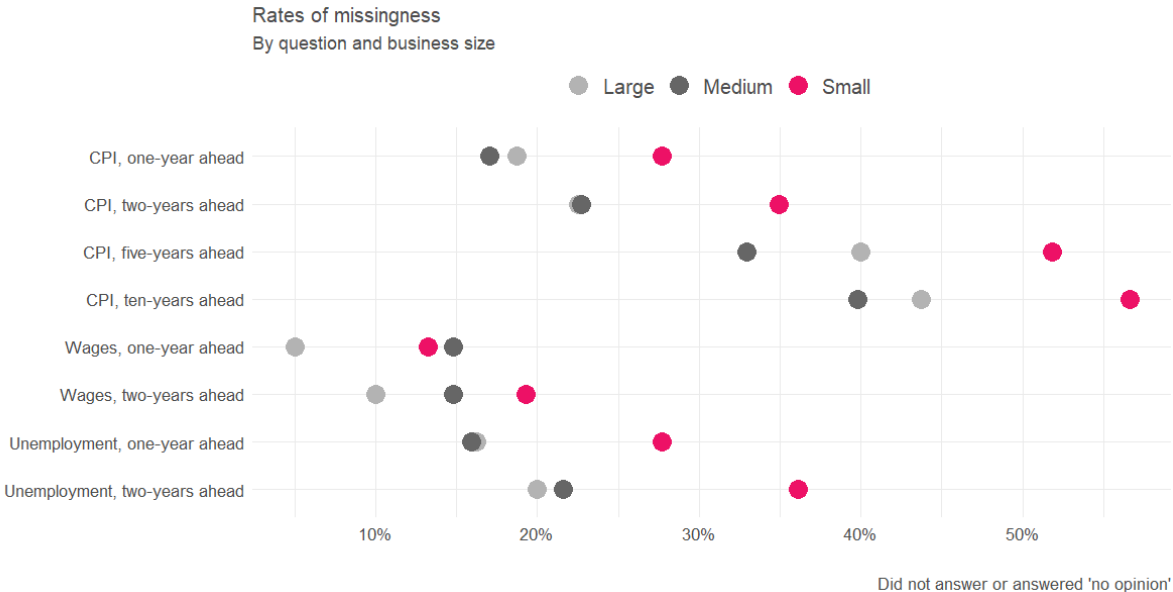
<sup>11</sup> Response statistics reported here exclude respondents who did not complete the survey.

### Answers expressing an opinion regarding macroeconomic expectations

A numerical answer to all the macroeconomic expectation questions was given by 48% of respondents up from the 28% of respondents in the first pilot. The number of quantitative questions has been reduced to 8 questions in the second pilot from 15 in the first pilot.

Shown in Figure 1, we found that the long horizon questions were the most difficult for respondents to answer (respondents selected 'no opinion' or did not respond). Wages was the most frequently answered question (with a numerical response). These results are consistent with findings from the first pilot. In the second pilot, we found small businesses less frequently provided a numerical response.

**Figure 1 – Question non-response by business size**



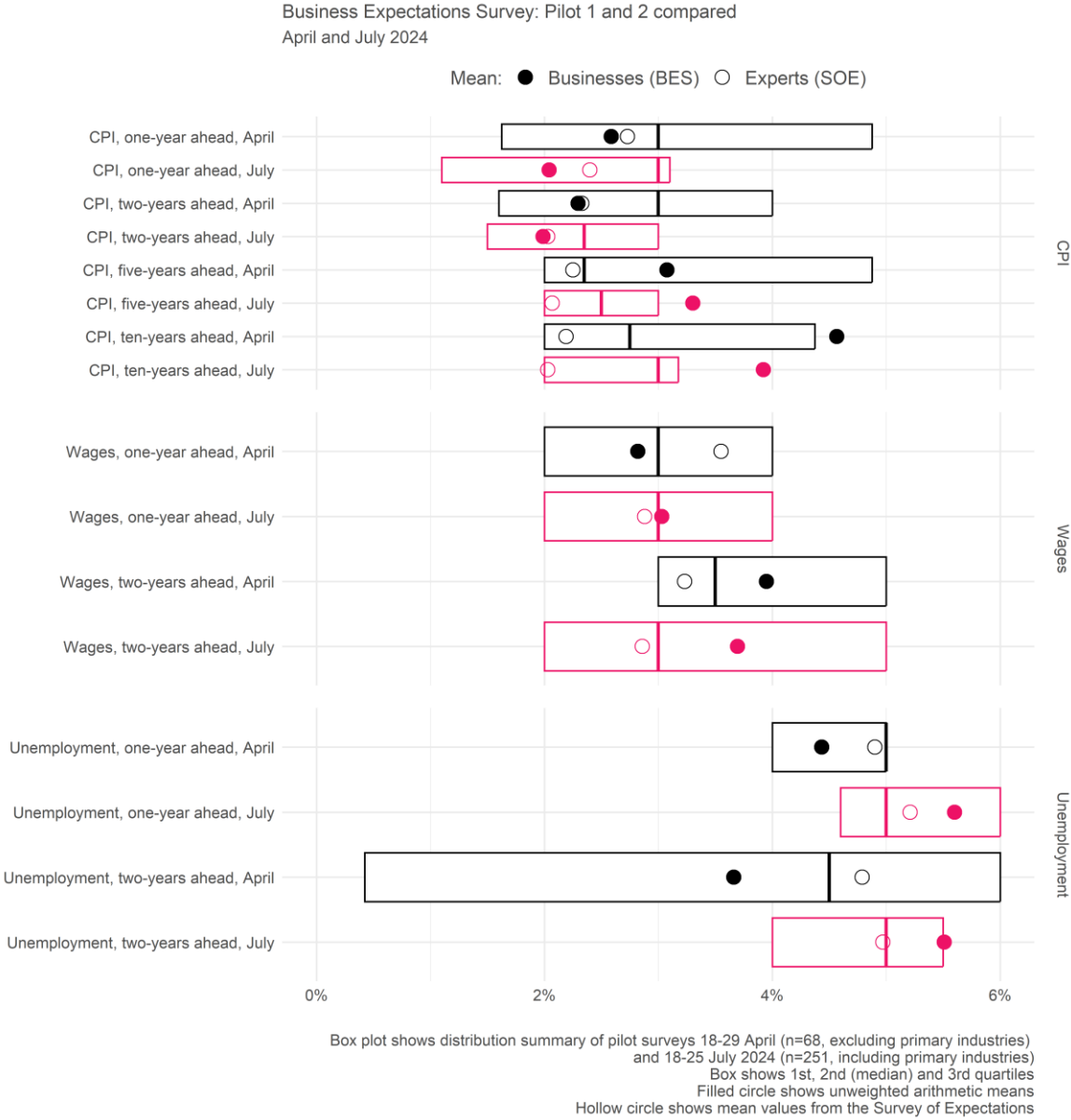
### Repeat respondents

Of the 30 respondents who expressed a willingness to complete the survey again, 22 respondents actually did so. This was a range of small, medium and large businesses, across all original industry strata. These ongoing respondents form the start of the panel element of the sample design and allow us to estimate new statistics, such as the proportion of respondents who have not changed their expectations since the previous quarter, and the average percentage point change across the panel respondents.

## Analysis by question

The second pilot survey provides another chance to look at survey estimates and see how these have changed from the first pilot, conducted 3 months earlier (Figure 2).

Figure 2 – analysis by question



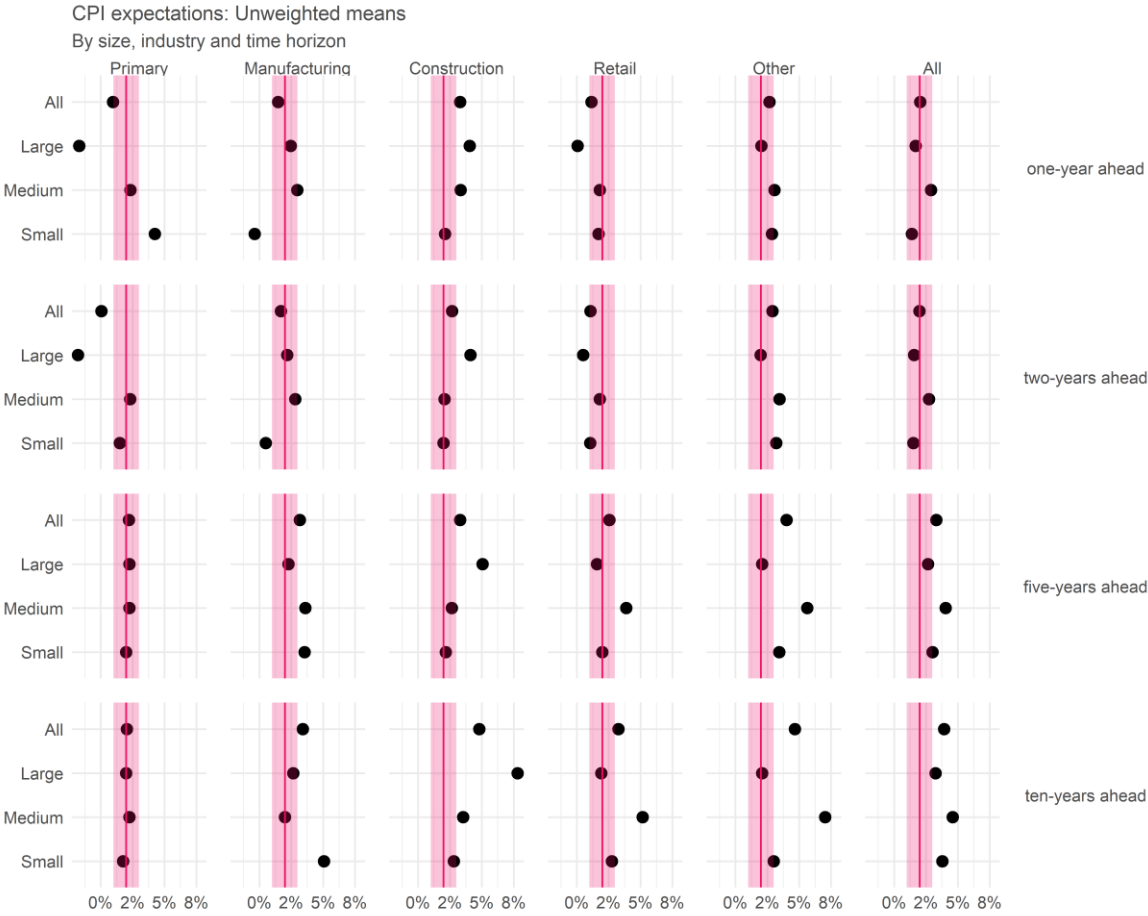
## CPI expectations

The highest priority information need from the survey is regarding inflation expectations. For one- and two- year ahead time horizons, unweighted mean expectations from the pilot survey are similar to the existing Survey of Expectations (covering experts, such as professional forecasters and economists).

Shown in Figure 3, the longer horizon mean estimates are influenced by higher expectations in the Construction and Other industries.



**Figure 3 – CPI expectations by size, industry, and time horizon**



Black dots show unweight arithmetic means from pilot survey 18-25 July 2024, sample size n=251  
 Estimates based on fewer than 4 observations are excluded  
 Red shaded area shows CPI target range, red line shows mid-point

## Appendix A – Second pilot survey: analysis by question

Table A1 shows second pilot survey estimates compared with published estimates for the same time period (as shown in Figure 2)

**Table A1 – Second pilot survey summary statistics compared with existing surveys (percentage)**

Statistic	Horizon (ahead)	Mean	First quartile	Median	Third quartile	Standard deviation	Don't knows	Mean SOE	Mean HES
CPI	one-year	2	1.1	3	3.1	4.8	21.1	2.4	4.1
CPI	two-years	2	1.5	2.4	3	4.2	26.7	2	3.1
CPI	five-years	3.3	2	2.5	3	5.2	41.4	2.1	3.4
CPI	ten-years	3.9	2	3	3.2	6.1	46.6	2	
Wages	one-year	3	2	3	4	2.3	11.2	2.9	5.6
Wages	two-years	3.7	2	3	5	2.8	14.7	2.9	
Unemployment	one-year	5.6	4.6	5	6	4.2	19.9	5.2	
Unemployment	two-years	5.5	4	5	5.5	5	25.9	5	

Note: "Mean" is the unweighted arithmetic mean from the second pilot survey 18-25 July 2024, sample size n=251; quartiles and "don't knows" are also from the second pilot survey, the latter shows the proportion of respondents who did not answer or who answered "no opinion"; "Mean SOE" and "Mean HES" are the published means from the Survey of expectations (M14) and Household expectations survey (H1/H2), respectively.

## Appendix B – Second pilot survey unweighted CPI expectations

Table A2 shows second pilot survey unweighted mean estimates for CPI inflation expectations by size, industry, and time horizon (as shown in Figure 3).

**Table A2 – CPI expectations by size, industry, and time horizon (annual percent change)**

Size	Horizon (ahead)	Primary	Manufacturing	Construction	Retail	Other	All
All	one-year	1	1.5	3.3	1.1	2.7	2
Large	one-year	-1.7	2.4	4	0.1	2	1.7
Medium	one-year	2.3	3	3.3	1.8	3.1	2.9
Small	one-year	4.2	-0.4	2.1	1.7	2.9	1.4
All	two-years	0.1	1.7	2.7	1.1	2.9	2
Large	two-years	-1.8	2.2	4.1	0.5	2	1.6
Medium	two-years	2.3	2.8	2.1	1.8	3.5	2.7
Small	two-years	1.5	0.5	2	1.1	3.2	1.5
All	five-years	2.2	3.2	3.3	2.6	4	3.3
Large	five-years	2.2	2.3	5.1	1.6	2.1	2.6
Medium	five-years	2.2	3.6	2.6	3.9	5.6	4
Small	five-years	2	3.5	2.2	2	3.4	3
All	ten-years	2.1	3.4	4.8	3.3	4.7	3.9
Large	ten-years	2	2.7	7.8	1.9	2.1	3.2
Medium	ten-years	2.2	2	3.5	5.2	7	4.6
Small	ten-years	1.7	5.1	2.8	2.8	3	3.8

Note: Unweighted arithmetic means from pilot survey 18-25 July 2024, sample size n=251. Estimates based on fewer than 4 observations are excluded.