

# SURVEY OF EXPECTATIONS

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*This article, prepared by Rozanna Kolijn and Sean Comber, presents the results from the March quarter 1992 Reserve Bank of New Zealand Survey of Expectations.*

## Introduction

The RBNZ Survey of Expectations for the March quarter 1992 was conducted on Wednesday, 12 February 1992. Note that the results of the survey represent expectations held by respondents and in no way represent views or forecasts of the Reserve Bank.

## Sample Composition

The response rate for this quarter was 64 per cent, with 162 of the 253 respondents in this quarter's sample having returned their completed questionnaires by the cut-off date.

Of the respondents whose completed questionnaires were received by the cut-off date, the distribution across activity groups was:

Financial	..	56
Business	..	60
Agriculture	..	23
Labour	..	7
Other	..	16
TOTAL	..	162

## Summary of Results

- **Little change in perceptions of monetary conditions.**

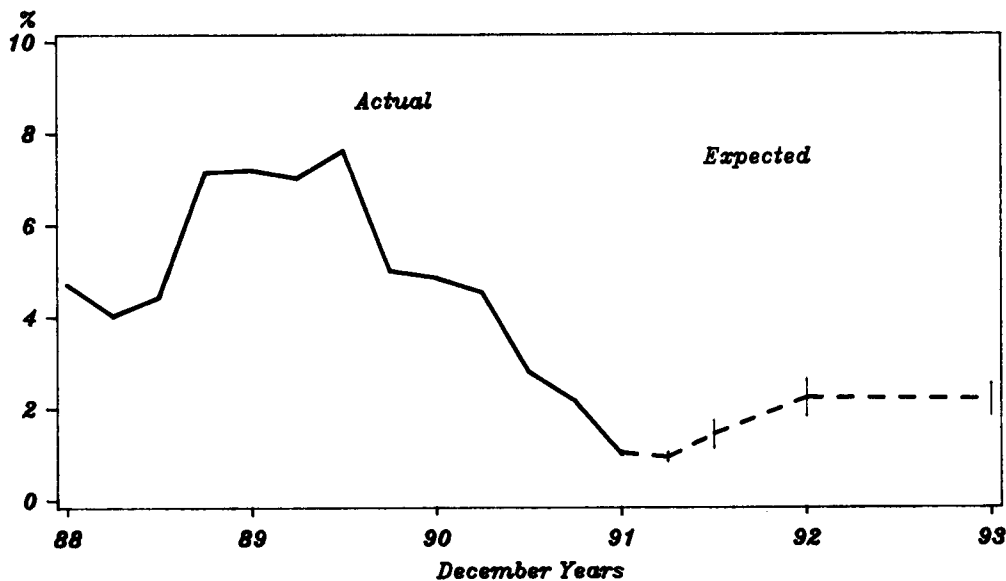
Monetary conditions are perceived to be little changed from those at the time of the December 1991 survey, despite a further fall in interest and exchange rates since that time. A net 2 per cent of respondents believe conditions to be tighter than neutral, compared with a net 0 per cent in the December survey. Respondents continue to expect a further easing in monetary conditions over the quarter ahead, but to a lesser degree than was previously anticipated. A net 11 per cent of respondents now expect conditions to be easier than neutral by the end of June

1992, compared with the net 22 per cent of respondents who expected conditions to be easier than neutral over the quarter ahead in the previous survey. A further easing in conditions is expected by the end of December 1992.

- **Year-ahead inflation expectations continue to fall.**

The low December quarter Consumer price Index (CPI) out-turn appears to have contributed to a further fall in inflation expectations. Respondents expect the CPI to rise by 0.5 per cent in the March quarter 1992 and by 0.6 per cent the following quarter. These quarterly movements imply annual inflation rates of 0.9 per cent in the year to March 1992, and 1.4 per cent in the year to June. CPI inflation is now expected to be 2.2 per cent in both the year ahead and in the year to December 1993, compared to the annual increases of 2.3 per cent and 2.4 per cent previously expected for the years to September 1992 and September 1993. These are the lowest annual expectations yet recorded in the history of the survey.

**Figure 1.**  
**Actual and Surveyed Expectations of the**  
**Annual Percentage Change in the Consumer Price Index**



*Note: 25% of expectations fell above and below the band shown*

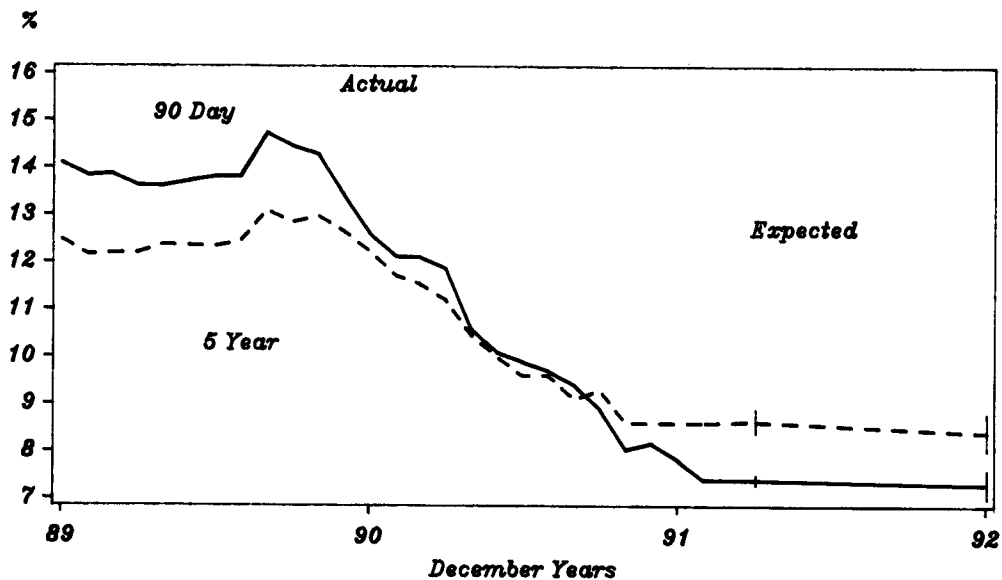
- Interest rates expected to fall further over coming year.

Respondents expect rates for both 90-day bills and government stock to fall slightly over the year ahead. Rates for 90-day bills are expected to fall from 7.4 per cent at the end of March 1992 to 7.3 per cent at the end of December 1992, while government stock rates are expected to fall from 8.6 per cent to 8.4 per cent over the same period (from around 8.8 per cent at present). As a result, respondents now expect a positive yield gap of 1.2 per cent at the end of March 1992 to narrow slightly to 1.1 per cent by the end of December 1992.

- Exchange rate expected to be little changed over the coming year.

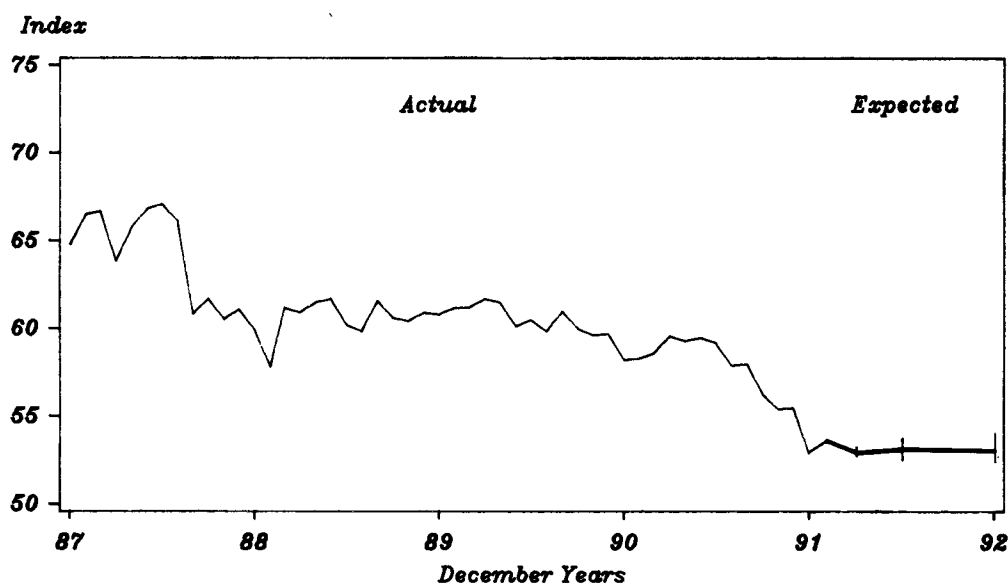
Following strong declines in the exchange rate since the December quarter survey was undertaken, respondents now expect the New Zealand dollar to appreciate against all major currencies over the coming year. However, the Trade Weighted Index (TWI) is expected to remain stable over the March quarter 1992, and

**Figure 2.**  
**Actual and Surveyed Expectations of 90 Day**  
**Bank Bill and Five Year Government Stock Interest Rates**



Note: 25% of expectations fell above and below the band shown.

**Figure 3.**  
**Actual and Surveyed Expectations of**  
**the RBNZ Trade Weighted Index**



*Note: 25% of expectations fell above and below the band shown.*

increase by only 0.3 per cent in the following quarter. A slight increase of 0.2 per cent is now expected in the year to December 1992, compared with the depreciation of 1.4 per cent expected over the year ahead in the previous survey.

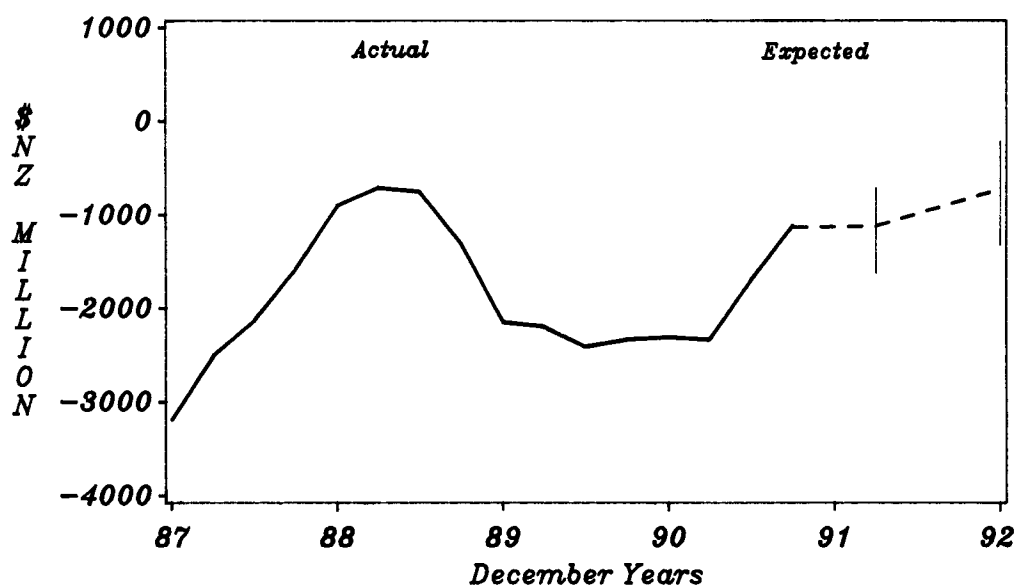
- **Significant rise in expectations for GDP growth.**

Respondents expect real Gross Domestic Product (GDP) to have increased by 0.5 per cent in seasonally adjusted terms over the December quarter 1991, with further growth of 0.6 per cent expected in the March quarter 1992. In the year to December 1992, real GDP is expected to increase by 1.3 per cent, significantly higher than the 0.2 per cent increase expected for the year to September 1992 in the December survey.

- **Current account expectations improve markedly.**

Recent strong trade performance appears to have contributed to a sharp improvement in current account expectations. A current account deficit of \$1.0 billion is now expected in the year to March 1992, significantly lower than the \$1.8 billion deficit previously anticipated for the year to December 1991. Further improvement is expected over the coming year, with respondents now picking a current account deficit of \$0.6 billion in the year to December 1992, compared with the year-ahead deficit of \$1.5 billion expected in the December survey.

**Figure 4.**  
**Actual and Surveyed Expectations Of The**  
**Annual Current Account Balance**



*Note: 25% of expectations fell above and below the band shown.*

- **Expectations for fiscal deficit worsen.**

Expectations for the government financial deficit have worsened following the December release of revised fiscal projections. The fiscal deficit is now expected to be \$2.3 billion in the year to June 1992, compared to the \$1.8 billion deficit expected in the previous survey. Some improvement is still expected in the following year, with a deficit of \$1.8 billion now expected in the year to June 1993.

- **Wage expectations remain largely unchanged.**

The prevailing weekly wage rates index is expected to increase by 1.6 per cent over the year to December 1992. This is slightly lower than the 1.7 per cent year-ahead increase expected in the December survey.

- **Unemployment rate now expected to rise less steeply.**

Respondents expect the Household Labour Force Survey (HLFS) unemployment rate to be 11.2 per cent in the March quarter 1992, slightly higher than the 11 per cent expected in the December survey. The unemployment rate is expected to increase only slightly over the coming year to reach 11.4 per cent in the December

quarter 1992. In the December survey, the unemployment rate was expected to increase from 11 per cent in the December quarter 1991 to 11.6 per cent in the September quarter 1992.

The next RBNZ Survey of Expectations is tentatively scheduled for 13 May 1992, with results to be published in the June issue of the *Bulletin*.

## SURVEY OF EXPECTATIONS HISTORICAL RESULTS <sup>1</sup>

### Monetary Conditions:<sup>2</sup>

Q.1 What is your perception of monetary conditions at the present moment?

Survey Qtr	Very Tight			Neutral		Very Relaxed	
	1	2	3	4	5	6	7
Mar. 1991	0.6	12.5	37.5	30.7	16.5	1.7	0.6
June 1991	1.0	7.1	37.1	34.5	15.2	4.6	0.5
Sept. 1991	1.1	10.9	42.3	26.9	17.1	1.7	0.0
Dec. 1991	1.2	2.4	27.5	37.7	27.5	3.6	0.0
Mar. 1992	0.0	5.1	24.1	43.7	24.7	1.9	0.6

Q.2 What expectation do you have for monetary conditions at the end of (reference quarter):

Survey Qtr	Reference Qtr	Very Tight			Neutral		Very Relaxed	
		1	2	3	4	5	6	7
Mar. 1991	June 1991	0.6	8.5	33.0	33.5	22.7	1.7	0.0
June 1991	Sept. 1991	1.0	3.6	30.5	32.5	25.9	6.1	0.5
Sept. 1991	Dec. 1991	1.1	9.1	26.3	33.7	24.6	5.1	0.0
Dec. 1991	Mar. 1992	0.6	3.0	16.2	38.3	34.7	6.6	0.6
Mar. 1992	June 1992	0.0	3.8	17.8	45.9	29.3	3.2	0.0
Mar. 1991	Dec. 1991	0.6	6.3	25.0	42.0	21.6	4.5	0.0
June 1991	Mar. 1992	0.0	3.6	20.3	41.6	24.9	9.1	0.5
Sept. 1991	June 1992	1.1	3.4	23.4	33.7	30.3	6.9	1.1
Dec. 1991	Sept. 1992	0.6	3.6	13.3	42.2	30.7	8.4	1.2
Mar. 1992	Dec. 1992	0.0	4.4	15.2	46.2	25.3	8.9	0.0

Q.3 What is your expectation of the annual % change in the M3 money supply for the year to (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Mean	6.7	7.0	6.7	5.1	4.6
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	5.6	5.9	5.5	5.1	4.8

### Prices:

Q.4 What quarterly % change do you expect in the Consumers Price Index (CPI) for the (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Mean	1.0	0.6	0.6	0.6	0.5

1 The survey quarter refers to the quarter in which the survey was undertaken, while the reference quarter refers to the quarter (period ended or the quarter itself) for which the expectation was held.

2 Results for questions 1 and 2 are in the form of percent of total responses in each category, while the remainder of the questions report the mean expectation

Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	0.9	0.7	0.6	0.6	0.6

Q.5 What annual change do you expect in the Consumers Price Index (CPI) for the year to (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	4.2	3.0	2.5	2.3	2.2
Reference Qtr	Dec. 92	Mar. 93	June 93	Sept. 93	Dec. 93
Mean	3.7	2.7	2.5	2.4	2.2

### Interest Rates:

Q.6 What do you expect the 90-day Bank Bill market yield to be at the end of the (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Mean	11.8	10.3	9.3	8.1	7.4
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	11.2	9.6	8.8	7.8	7.3

Q.7 What do you expect the 5-year Government Security market yield to be at the end of (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Mean	11.4	10.2	9.5	8.5	8.6
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	11.0	9.7	9.2	8.3	8.4

### Exchange Rates:

Q.8 Relative to the following currencies, what spot exchange rate do you expect for the New Zealand dollar and the end of (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 9	Mar. 92
US Dollar					
Reference Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Mean	0.600	0.584	0.571	0.555	0.542
Reference Qtr	June 91	Sept. 91	Dec. 91	Mar. 92	June 92
Mean	0.592	0.579	0.568	0.552	0.542



Reference Qtr Mean	Dec. 91 0.584	Mar. 92 0.573	June 92 0.565	Sept. 92 0.549	Dec. 92 0.544
Australian Dollar Reference Qtr Mean	Mar. 91 0.768	June 91 0.754	Sept. 91 0.735	Dec. 91 0.710	Mar. 92 0.723
Reference Qtr Mean	June 91 0.767	Sept. 91 0.753	Dec. 91 0.738	Mar. 92 0.713	June 92 0.727
Reference Qtr Mean	Dec. 91 0.765	Mar. 92 0.752	June 92 0.741	Sept. 92 0.715	Dec. 92 0.729
Pound Sterling Reference Qtr Mean	Mar. 91 0.304	June 91 0.337	Sept. 91 0.337	Dec. 91 0.325	Mar. 92 0.300
Reference Qtr Mean	June 91 0.304	Sept. 91 0.333	Dec. 91 0.336	Mar. 92 0.324	June 92 0.305
Reference Qtr Mean	Dec. 91 0.304	Mar. 92 0.329	June 92 0.334	Sept. 92 0.324	Dec. 92 0.308
Japanese Yen Reference Qtr Mean	Mar. 91 77.3	June 91 80.6	Sept. 91 78.2	Dec. 91 73.5	Mar. 92 68.7
Reference Qtr Mean	June 91 76.8	Sept. 91 79.9	Dec. 91 78.2	Mar. 92 73.2	June 92 68.7
Reference Qtr Mean	Dec. 91 76.5	Mar. 92 79.0	June 92 78.1	Sept. 92 73.1	Dec. 92 69.0

Q.9 What quarterly % change do you expect in the Reserve Bank Trade Weighted Index (TWI) for (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr Mean	Mar. 91 -0.4	June 91 -0.4	Sept. 91 -0.4	Dec. 91 -1.5	Mar. 92 0.0
Reference Qtr Mean	June 91 -0.6	Sept. 91 -0.6	Dec. 91 -0.3	Mar. 92 0.0	June 92 0.3

Q.10 What annual % change do you expect in the Reserve Bank Trade Weighted Index (TWI) for the year to (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr Mean	Dec. 91 -2.0	Mar. 92 -1.7	June 92 -0.6	Sept. 92 -1.4	Dec. 92 0.2

**Others:**

Q.11 What is your expectation of the seasonally adjusted quarterly % change in the real Gross Domestic Product ( GDP) index for (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Dec. 90	Mar. 91	June 91	Sept. 91	Dec. 91
Mean	-0.1	-0.2	-0.3	-0.4	0.5
Reference Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Mean	-0.1	0.0	-0.1	0.0	0.6

Q.12 What is your expectation of the annual average % change in the real Gross Domestic Product (GDP) index for the year to (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	0.1	0.5	0.1	0.2	1.3

Q.13 What is your expectation of the External Balance of Payments on Current Account (in \$ billions) for the year to (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Mean	-0.4	-2.6	-2.1	-1.8	-1.0
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	-3.8	-2.2	-1.7	-1.5	-0.6

Q.14 What is your expectation of the Government Financial Balance (in \$ billions) for the fiscal year to (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	June 91	June 91	June 92	June 92	June 92
Mean	-1.5	-1.7	-1.9	-1.8	-2.3
Reference Qtr	June 92	June 92	June 93	June 93	June 93
Mean	-1.3	-1.4	-1.2	-1.2	-1.8

Q.15 What is your expectation of the annual % change in the prevailing weekly wage rates index for the year to (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr	Dec. 91	Mar. 92	June 92	Sept. 92	Dec. 92
Mean	2.8	2.0	1.9	1.7	1.6

Q.16 What is your expectation of the official HLFS unemployment rate for (reference quarter):

Survey Qtr	Mar. 91	June 91	Sept. 91	Dec. 91	Mar. 92
Reference Qtr Mean	Mar. 91 8.8	June 91 9.6	Sept. 91 10.4	Dec. 91 11.0	Mar. 92 11.2
Reference Qtr Mean	Dec. 91 9.3	Mar. 92 9.9	June 92 11.2	Sept. 92 11.6	Dec. 92 11.4

