

Summary

- Expectations for one-year-ahead annual inflation decreased 49 basis points from 3.22% to 2.73%. Two-year-ahead inflation expectations decreased from 2.50% to 2.33%.
- The five-year-ahead inflation expectations remained at 2.25% and the ten-year-ahead increased 3 basis points from 2.16% to 2.19%.
- Survey respondents expected the unemployment rate to rise to 4.90% in one year and drop to 4.79% in two years' time.
- On average, survey respondents expected the Official Cash Rate (OCR) to be 5.46% by the end of the June 2024 quarter and to decline to 4.79% by the end of the March 2025 quarter.
- Expectations for one-year-ahead annual wage inflation decreased 18 basis points from 3.73% to 3.55%. Two-year-ahead wage inflation expectations increased from 2.99% to 3.23%.
- Annual real production-based GDP growth was expected to be 0.98% in one year, and then raised to 2.01% for the following year.
- Expectations for one-year-ahead annual house price inflation dropped 1.39 percentage points from 4.82% to 3.43%. Two-year-ahead house price inflation expectations decreased from 5.78% to 4.74%.

Survey respondents expected CPI inflation to fall in the short and medium-term

This quarter, the Survey of Expectations went into the field on 18th April 2024, following the Stats NZ's Consumers Price Index (CPI) release on 17th April 2024. Annual CPI inflation for the March 2024 quarter was measured at 4.0%, a decline from last quarter's 4.7% annual inflation.

Respondents' expectations for CPI inflation have declined for the short-term and medium-term, and remained at a similar level for the long-term CPI inflation expectations compared with the last quarter (see Figure 1&2).

Short-term and medium-term CPI inflation expectations

The mean one-year-ahead annual inflation expectation decreased from 3.22% to 2.73%, a decline of 49 basis points compared to the last quarter. It was the lowest CPI inflation expectation since the September 2021 quarter. The mean two-year-ahead annual inflation expectation fell by 17 basis points to 2.33% from 2.50% in the previous quarter.

Long-term CPI inflation expectations

The mean five-year-ahead annual inflation expectation remained at 2.25% this quarter. The mean ten-year-ahead annual inflation expectation slightly increased by 3 basis points to 2.19% from 2.16% in the previous quarter.

Figure 1. Annual CPI inflation expectation - June 2024 Business SOE

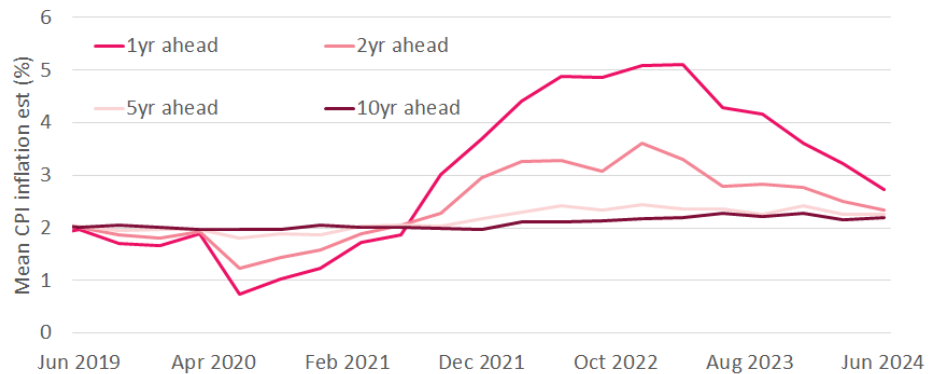
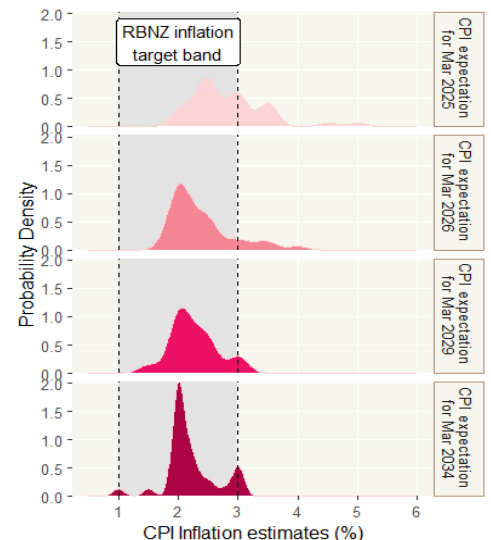


Figure 2. CPI Inflation Expectations - June 2024 Business SOE

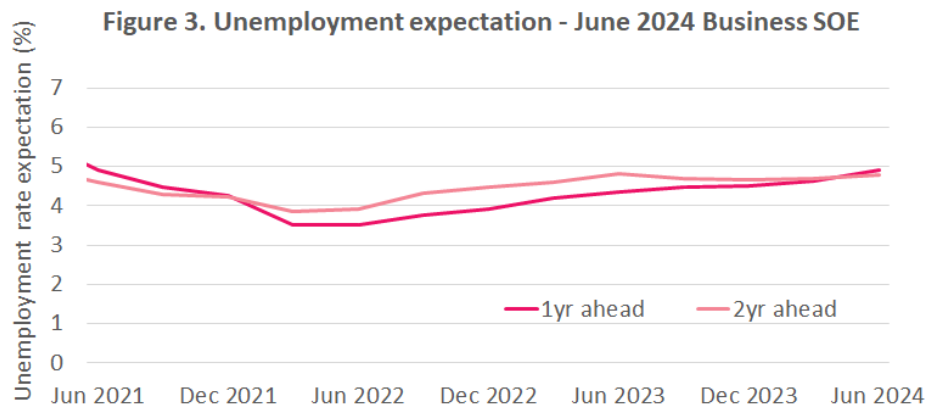


Unemployment rate expected to increase over the next two years

The mean one-year-ahead unemployment rate expectation increased by 26 basis points this quarter to 4.90% from 4.64% last quarter.

The mean two-year-ahead expectation for the unemployment rate increased to 4.79% from 4.69% last quarter.

Note: The Survey of Expectations collection was closed on 26th April 2024. Stats NZ released unemployment statistics the following week, 1st May 2024. According to the data, the seasonally adjusted unemployment rate was 4.3% in the March 2024 quarter, compared with 4.0% in the December 2023 quarter.



OCR expected to remain at 5.5% by the end of the June quarter

We ask respondents what their expectations of the Official Cash Rate (OCR) are at the end of the June 2024 quarter and the March 2025 quarter.

According to survey respondents, the mean estimate for the Official Cash Rate (OCR) is expected to be 5.46% by the end of the June 2024 quarter.

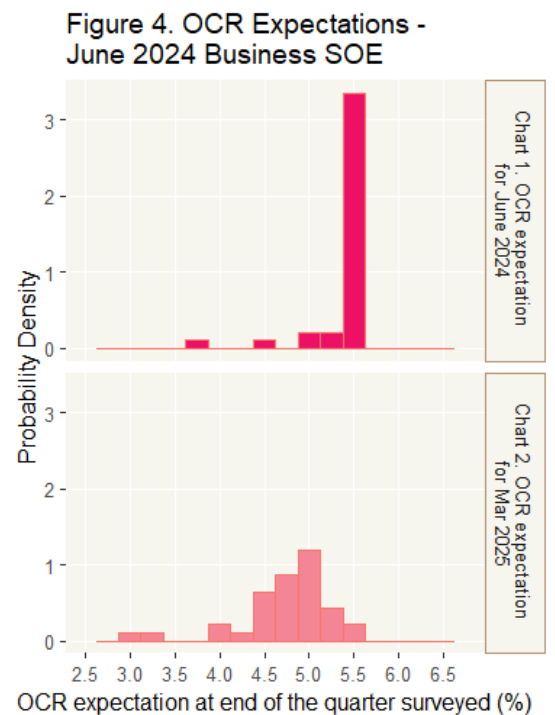
The OCR is currently 5.50% and was last raised by 25 basis points from 5.25% on 24th May 2023. The RBNZ's next *Monetary Policy Statement* will be released on 22nd May 2024.

By the end of the June quarter

Based on the concentrated distribution of survey responses, most respondents were expecting the OCR would remain at 5.50% by the end of the June 2024 quarter. The mean expectation remained at 5.46% this quarter (see Chart 1, Figure 4).

One year ahead

The mean one-year-ahead expectation for the OCR was 4.79%, increasing 5 basis points from last quarter's estimate of 4.74%. Survey respondents' expectations ranged from 3.00% to 5.50% (see Chart 2, Figure 4).

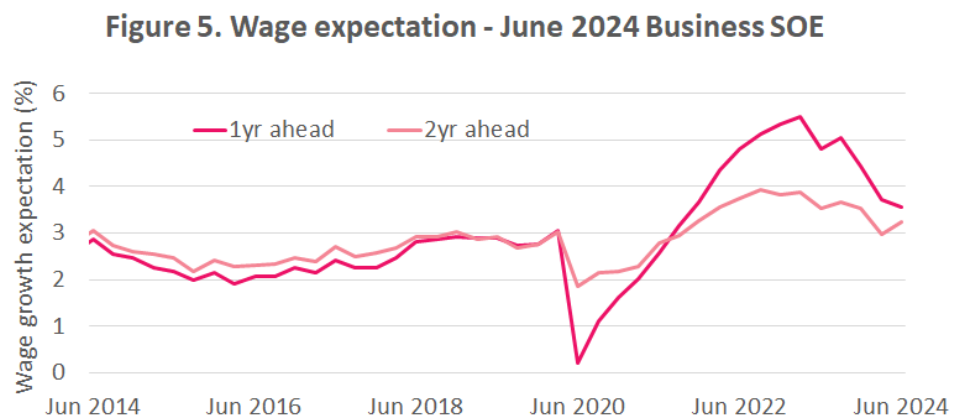


Wage growth expected to decline next year

We ask respondents their expectations of the annual percentage change in average hourly wage rates, as measured by Stats NZ's Quarterly Employment Survey (QES) for the private sector (ordinary time).

The mean one-year-ahead expectation for annual wage inflation was 3.55%, a decrease of 18 basis points from 3.73% recorded in the March 2024 quarter.

The mean two-year-ahead expectation for annual wage inflation increased by 24 basis points from last quarter's estimate of 2.99% to 3.23%.

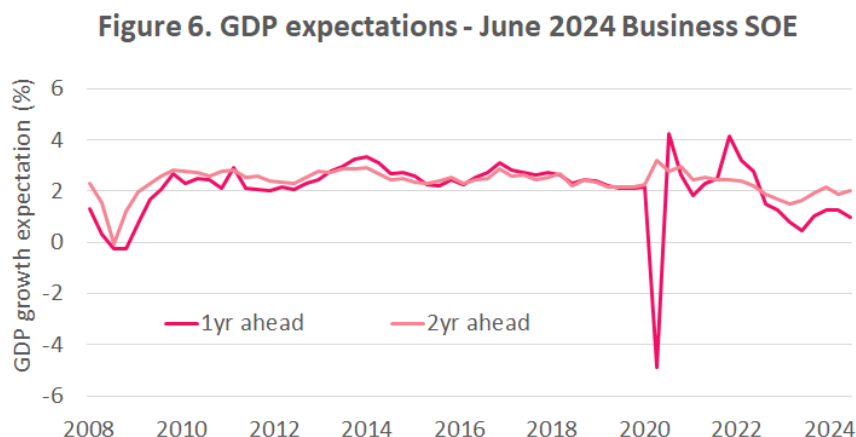


GDP growth expectations have softened in the short-term but increased for the two-year horizon.

The survey asks respondents for their expectations of the annual percentage change in the real production-based GDP in the March quarter of 2025 (one-year-ahead) and 2026 (two-year-ahead).

The mean one-year-ahead expectation for the real production-based GDP growth decreased 28 basis points to 0.98% from 1.26% in the previous quarter (see Figure 6).

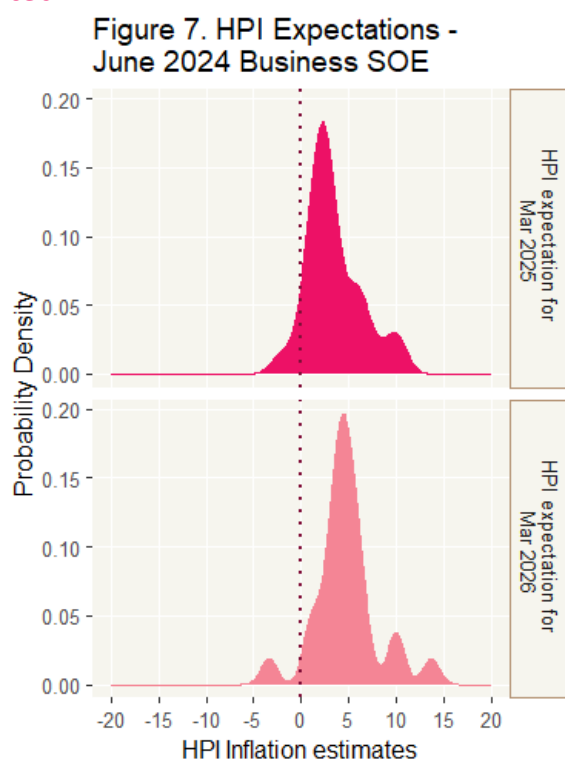
The mean two-year-ahead expectation for the real production-based GDP growth increased 13 basis points to 2.01% from 1.88% in the previous quarter (see Figure 6).



House price inflation expectations have decelerated

The mean one-year-ahead expectation for annual house price inflation dropped by 1.39 percentage points to 3.43% from the previous quarter's estimate of 4.82%.

The mean two-year-ahead expectation for annual house price inflation was 4.74%, with a decrease of 1.04 percentage points from last quarter's mean estimate of 5.78%.



About the Business Survey of Expectations:

The data for this quarter was obtained from 37 business leaders and professional forecasters by Research New Zealand – Rangahau Aotearoa on behalf of RBNZ. Field work for the survey was run between the 18th and 26th April 2024.

The Survey of expectations fieldwork has been carried out by Research New Zealand – Rangahau Aotearoa since September 2023. We are not making any changes to the survey questionnaire nor panel of respondents at this stage. The time series remain consistent and comparable.

For more information refer to the RBNZ website: Survey of expectations (M14) - Reserve Bank of New Zealand - Te Pūtea Matua (rbnz.govt.nz) or contact: stats-info@rbnz.govt.nz