

**Summary**

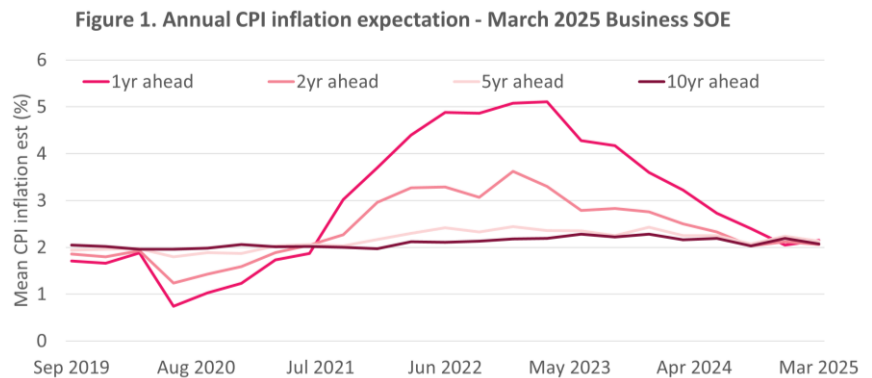
- Expectations for one-year-ahead annual inflation increased by 10 basis points from 2.05% to 2.15%. Two-year-ahead inflation expectations decreased from 2.12% to 2.06%. Five-year-ahead and ten-year-ahead inflation expectations decreased to 2.13% and 2.07%, respectively.
- On average, survey respondents expected the Official Cash Rate (OCR) to be 3.77% by the end of the March 2025 quarter and fall to 3.23% by the end of the December 2025 quarter.
- The one-year-ahead unemployment rate expectations decreased by 14 basis points from 5.22% to 5.08%. Two-year-ahead unemployment rate expectations decreased from 4.86% to 4.69%.
- Expectations for one-year-ahead annual wage inflation softened, declining by 32 basis points from 2.81% to 2.49%. Two-year-ahead annual wage inflation expectations decreased from 3.16% to 2.83%.
- Annual real production-based GDP growth was expected to be 1.53% in one year, with an increase to 2.22% in the following year.
- Expectations for house price inflation increased across all time horizons. One-year-ahead house price inflation expectations increased by 81 basis points from 3.04% to 3.85%. Two-year-ahead expectations rose from 4.17% to 4.56%.

**Survey respondents expected CPI inflation to remain stable across all time horizons**

This quarter, the Survey of Expectations went into the field on 23<sup>rd</sup> January 2025, following Stats NZ’s Consumers Price Index (CPI) release on 22<sup>nd</sup> January 2025.

Annual CPI inflation for the December 2024 quarter was 2.2%, unchanged from the September 2024 quarter.

In the March 2025 quarter, a higher response rate was maintained for the Survey of Expectations. A total of 42 responses from business leaders and professional forecasters were received this quarter, up from 40 responses last quarter.

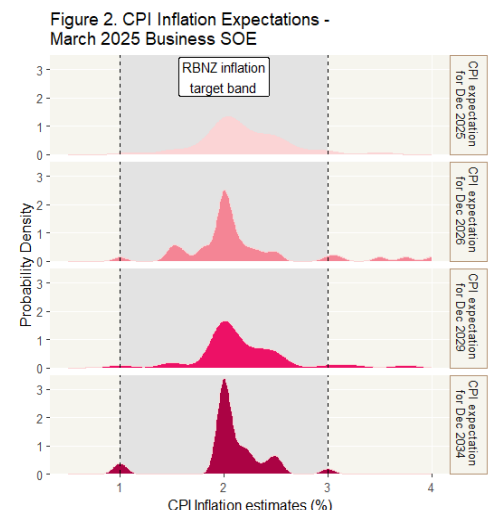


**Short-term CPI inflation expectations**

The mean one-year-ahead annual inflation expectation increased from 2.05% to 2.15%, an increase of 10 basis points compared to the last quarter.

**Medium-term and long-term CPI inflation expectations**

The mean two-year-ahead annual inflation expectation decreased by 6 basis points, from 2.12% last quarter to 2.06%. The mean five-year-ahead annual inflation expectation decreased by 11 basis points from 2.24% last quarter to 2.13%. The mean ten-year-ahead annual inflation expectation decreased by 12 basis points from 2.19% last quarter to 2.07% (see Figure 1).



## Survey respondents expect the OCR to decrease

We ask respondents what their expectations of the Official Cash Rate (OCR) are at the end of the March 2025 quarter and the December 2025 quarter (one-year-ahead).

The OCR is currently 4.25% and was last reduced by 50 basis points from 4.75% on 27<sup>th</sup> November 2024. The RBNZ's next *Monetary Policy Statement* will be released on 19<sup>th</sup> February 2025.

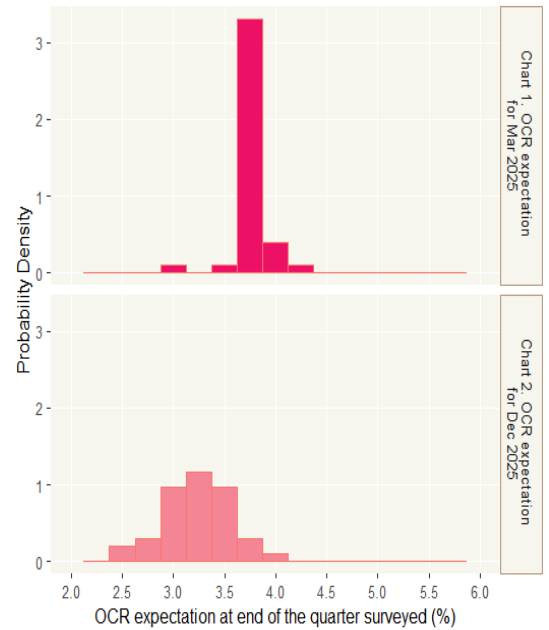
### By the end of the March quarter

Most survey respondents were expecting the OCR to decrease by 50 basis points to 3.75% by the end of the March quarter (see Chart 1, Figure 3). The mean expectation for the OCR was 3.77% by the end of the March 2025 quarter, a decrease of 43 basis points from last quarter's 4.20%.

### One year ahead

The mean one-year-ahead OCR expectation was 3.23%, a decrease of 10 basis points from last quarter's estimate of 3.33%. Survey respondents' expectations ranged from 2.50% to 4.00% (see Chart 2, Figure 3).

Figure 3. OCR Expectations - March 2025 Business SOE



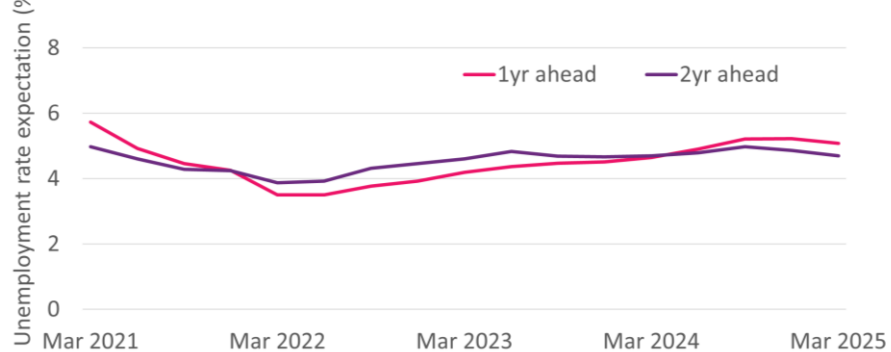
## Expectations for the unemployment rate have softened over the next two years

The mean one-year-ahead unemployment rate expectation decreased by 14 basis points from 5.22% last quarter to 5.08%.

The mean two-year-ahead unemployment rate expectation decreased from 4.86% last quarter to 4.69%.

Note: The Survey of Expectations collection was closed on 29<sup>th</sup> January 2025. Stats NZ released unemployment statistics on 5<sup>th</sup> February 2025. According to the data, the seasonally adjusted unemployment rate was 5.1% in the December 2024 quarter, compared with 4.8% in the September 2024 quarter.

Figure 4. Unemployment expectation - March 2025 Business SOE



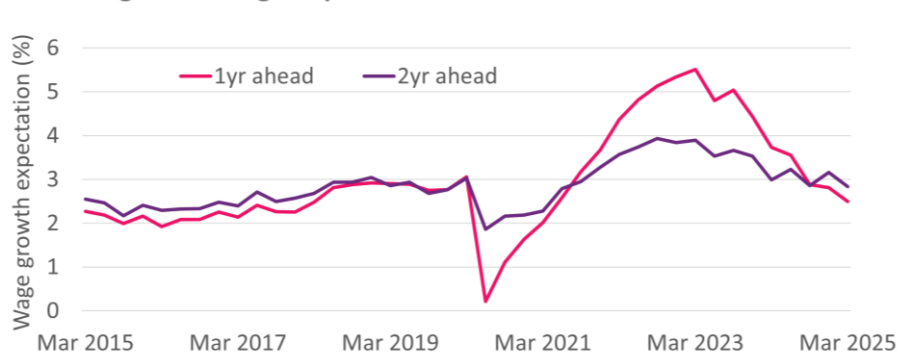
## Wage growth expectations are gradually easing

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 2.49%, a decrease of 32 basis points from 2.81% last quarter. It was the lowest recorded since the March 2021 quarter.

The mean two-year-ahead expectation for annual wage inflation decreased by 33 basis points from last quarter's estimate of 3.16% to 2.83%.

Figure 5. Wage expectation - March 2025 Business SOE

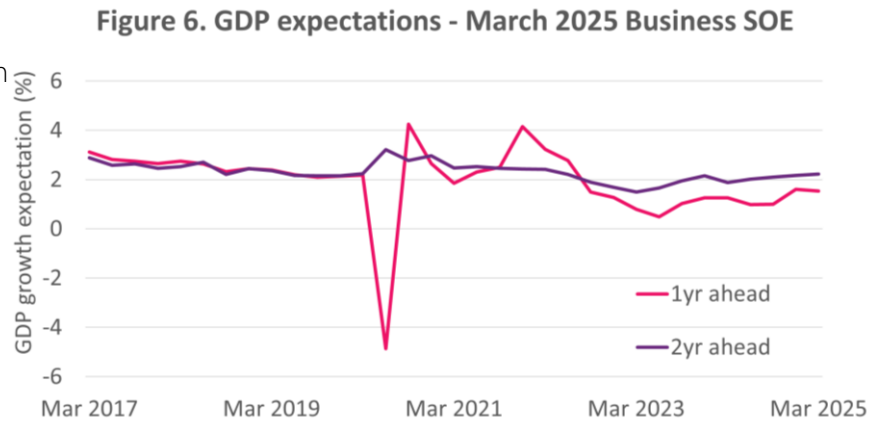


## GDP growth expectations ease next year and strengthen the following year

The survey asks respondents for their expectations of the annual percentage change in the real production-based GDP in the December 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 by 7 basis points from 1.60% last quarter to 1.53% (see Figure 6).

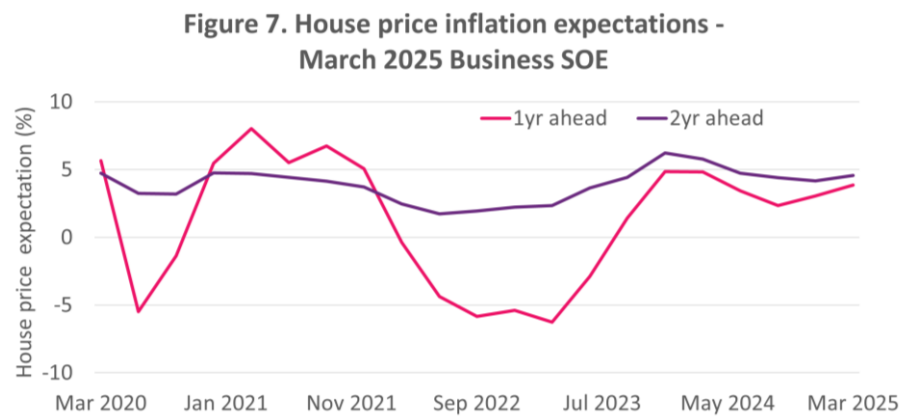
The mean two-year-ahead expectation for the real production-based GDP growth increased by 5 basis points from 2.17% last quarter to 2.22% (see Figure 6).



## Expectations for house price inflation over the next two years have risen

The mean one-year-ahead expectation for annual house price inflation increased by 81 basis points from 3.04% last quarter to 3.85%.

The mean two-year-ahead expectation for annual house price inflation was 4.56%, with an increase of 39 basis points from 4.17% last quarter.



### About the Survey of Expectations:

The data for this quarter was obtained from 42 business leaders and professional forecasters by Research New Zealand – Rangahau Aotearoa on behalf of RBNZ. Field work for the survey was run between the 23<sup>rd</sup> and 29<sup>th</sup> January 2025.

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](http://rbnz.govt.nz)) or contact: [stats-info@rbnz.govt.nz](mailto:stats-info@rbnz.govt.nz)