

Tara-ā-Umanga Business Expectations Survey: Test of alternative inflation expectations question wording

21 May 2026

Summary

This document summarises testing of an alternatively worded CPI inflation expectation question, conducted using a subsample of the June 2026 quarter survey. The aim of testing the new question is to reduce the potential for respondents to misunderstand the annual reference period sought at each time horizon.

We found similar mean CPI inflation expectation estimates between the two treatment groups (well within the 95% confidence intervals) suggesting that the question wording improvements had only a minor impact on overall results. Question-specific response rates were similar between treatment groups.

Background

Question wording for the Business Expectations Survey was copied from the long-standing *Survey of Expectations* to maximise consistency¹. Whilst this approach has worked well overall the question wording had been originally developed for industry leaders and professional forecasters and cognitive testing confirmed that some respondents may be misreading or misinterpreting the long horizon CPI expectation questions (asking about inflation 5– and 10– years ahead) as asking about cumulative inflation over the period, rather than the intended interpretation of an annual rate at a future date.

We undertook empirical analysis and supplementary cognitive testing, which confirmed the potential for question misunderstanding and provided possibilities for alternative phraseology.

Question wording test

We developed the alternatively worded question with the aim of clarifying that at each time horizon, we are seeking an annual percentage change (i.e. change over a 12-month period). The intent of the question is unchanged from the currently worded question.

We aimed to maintain existing questionnaire best practice principles of brevity, simplicity, and maximising respondents' cognitive understanding. For these reasons, and for consistency, we made the following changes to the current question wording:

1. Addition of **start and end dates**, for each time horizon
2. Changing the time horizon prefix from **"Year to [end date]"** to **"12 months from [start date] to [end date]"**

The two versions of the question are shown in Appendix A.

¹ Cognitive testing of the Survey of Expectations CPI expectation questions, with a small but representative cross section of NZ businesses in March 2024, found good comprehension of the question wording overall. A minor tweak was to add the word 'percentage' alongside the % symbol. Explainer text (below the main question) was added to tell respondents to use a negative sign to indicate a decrease. A definition of 'annual percentage changes' was added to the survey instructions (which appears in the survey introduction).

Summary of test results

During the **June 2026 quarter** (field collection in April 2026), we tested the alternatively worded CPI inflation expectations question using a 25% subsample of the overall selected sample (the test group).² The remaining subsample (75% of those selected) were asked the question as currently worded (the control group).

The aim of the test was primarily to observe if there is a noticeable level shift in the estimates of mean inflation expectations between control and test groups.

Comparison of test and control group estimates

Shown in Figure 1, we estimated population mean expectations using the test and control subsamples.³ The mean CPI inflation expectation estimates are similar between the two groups and well within the 95% confidence intervals. See Appendix B, Table B1 (mean expectations), for further details.

Figure 1 – Comparison of mean macroeconomic expectations for control and test groups

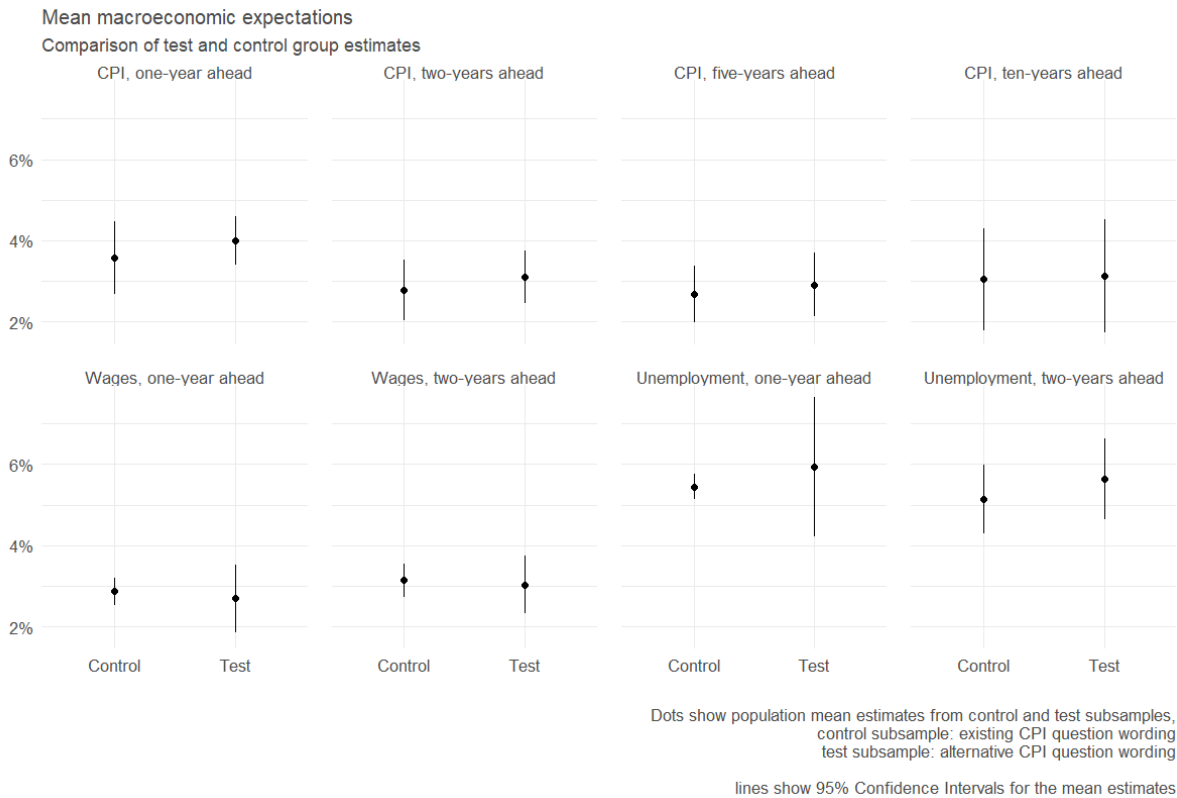


Figure 1 also displays test and control subsample estimates for wage and unemployment expectations. These estimates differ between the groups despite identical questions being asked. This helps to highlight that statistical uncertainty allows for differences in population estimates from independent samples, even without considering alternative question phrasing

² The subsamples were created by randomly allocating selected businesses to test and control groups within each survey design strata (businesses size by industrial group).

³ For each subsample, population estimates were calculated using the usual population estimator. The unit nonresponse adjustment, applied to the design weights, accounts for the treatment subsamples.

Appendix A – Control and test question wording

Control group: existing inflation expectations question wording

PRICES

What **annual percentage (%) change** do you expect in the **Consumer Price Index (CPI)** for the:

Please provide an answer for each row, and add a 'minus sign' (-) if you expect the CPI to decrease.

Year to...	Please type your answer in numbers	No opinion
March 2027 (one-year ahead)	<input type="text"/> %	<input type="checkbox"/>
March 2028 (two-years ahead)	<input type="text"/> %	<input type="checkbox"/>
March 2031 (five-years ahead)	<input type="text"/> %	<input type="checkbox"/>
March 2036 (ten-years ahead)	<input type="text"/> %	<input type="checkbox"/>

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5 %

Test group: alternative inflation expectations question wording

PRICES

What **annual percentage (%) change** do you expect in the **Consumer Price Index (CPI)** for the:

Please provide an answer for each row, and add a 'minus sign' (-) if you expect the CPI to decrease.

	Please type your answer in numbers	No opinion
12 months from March 2026 to March 2027 (one-year ahead)	<input type="text"/> %	<input type="checkbox"/>
12 months from March 2027 to March 2028 (two-years ahead)	<input type="text"/> %	<input type="checkbox"/>
12 months from March 2030 to March 2031 (five-years ahead)	<input type="text"/> %	<input type="checkbox"/>
12 months from March 2035 to March 2036 (ten-years ahead)	<input type="text"/> %	<input type="checkbox"/>

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16 %

Appendix B – Comparison of macroeconomic expectations for control and test groups

Table B1: Mean estimates of macroeconomic expectations (annual percentage change)

Description	Test			Control		
	Mean	95% Confidence Interval		Mean	95% Confidence Interval	
		Lower bound	Upper bound		Lower bound	Upper bound
CPI, one-year ahead	4	3.39	4.6	3.58	2.69	4.47
CPI, two-years ahead	3.11	2.47	3.74	2.77	2.03	3.52
CPI, five-years ahead	2.92	2.14	3.7	2.68	1.98	3.39
CPI, ten-years ahead	3.13	1.74	4.51	3.05	1.8	4.29
Wages, one-year ahead	2.7	1.86	3.53	2.87	2.53	3.2
Wages, two-years ahead	3.03	2.32	3.73	3.14	2.73	3.54
Unemployment, one-year ahead	5.94	4.23	7.66	5.44	5.13	5.75
Unemployment, two-years ahead	5.63	4.64	6.62	5.15	4.3	5.99