

Tara-ā-Whare Household Expectations Survey

February 2024

22 February 2024

Summary

- Household expectations for annual CPI inflation one year ahead decreased to 5.1% from 5.5% last quarter. This is the third consecutive decrease.
- The mean two-year-ahead CPI inflation expectation increased to 3.6% from 3.2% last quarter.
- The mean five-year-ahead CPI inflation expectation increased to 3.6% from 2.1% last quarter.
- Household expectations for annual house price inflation one year ahead continued to rise to 4.2% from 4.1% last quarter.
- The five-year-ahead cumulative average house price inflation expectation increased to 9.5% this quarter from 9.1% last quarter.
- Households expect 8.7% average growth in their earnings in one year's time, an increase from 6.3% last quarter.
- On average, households reported a 17.3% chance of missing a mortgage payment and a 18.0% chance of missing a rent payment in the next 3 months. Both expectations increased this quarter from 12.4% and 16.2% last quarter, respectively.

One-year inflation expectations declined, while two- and five-year inflation expectations rose

The field work for the Tara-ā-Whare Household Expectations Survey for this quarter started on the same day as Stats NZ's CPI release on 24th January 2024. The annual CPI inflation for the December 2023 quarter was measured at 4.7%, compared to 5.6% in the previous quarter.

Average household expectations for one-year-ahead CPI inflation declined to 5.1% this quarter, compared to 5.5% last quarter. This was the third consecutive decrease. The median estimate for one-year-ahead inflation expectations remained at 5.0% (see Figure 1).

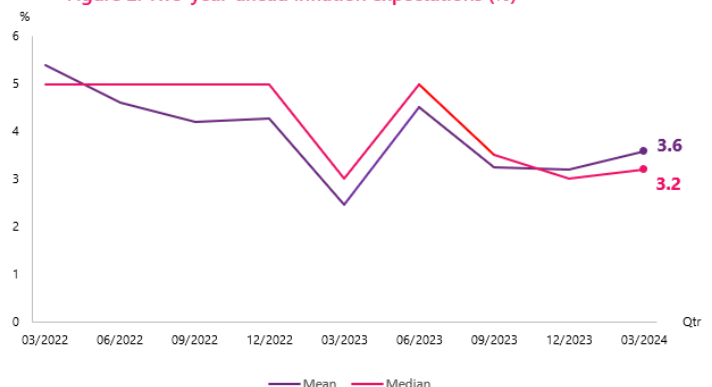
Household expectations for CPI inflation in two years' time increased to 3.6% this quarter, compared with 3.2% last quarter. The median for the two-year-ahead CPI inflation expectation also rose to 3.2%, compared to 3.0% in the previous quarter (see Figure 2).

The survey question about two-year-ahead CPI inflation expectations was asked for the first time in March 2022.

Figure 1: One-year-ahead inflation expectations (%)

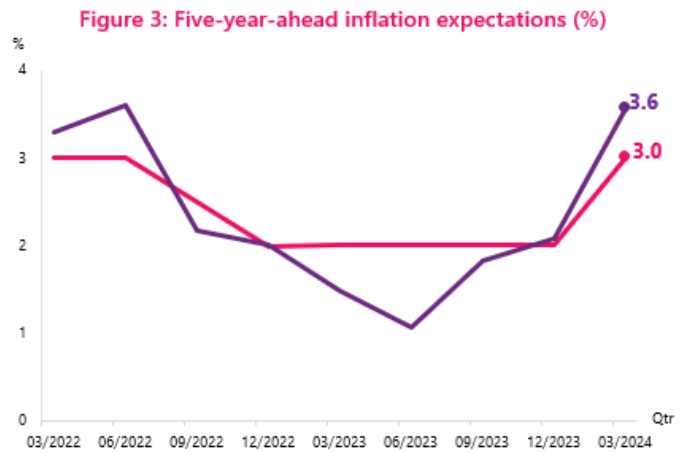


Figure 2: Two-year-ahead inflation expectations (%)



This quarter, the mean five-year-ahead CPI inflation expectation rose to 3.6% from 2.1% last quarter. The median inflation expectation increased to 3.0%.

Note: In March 2022, we changed the survey to specify that we are asking for an expected annual rate of inflation five years ahead. As a result of this improvement to the survey, there was a break in the time series for five-year-ahead inflation expectations in March 2022. This is now shown as a new series; therefore, these results cannot be compared with earlier quarters.



House prices are expected to increase in the next 12 months

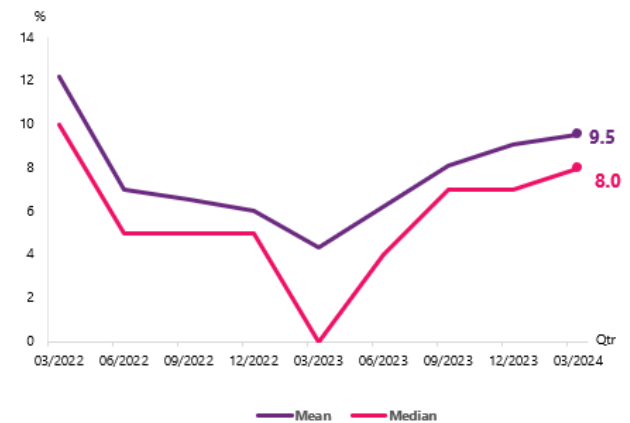
Figure 4 illustrates the one-year-ahead house price inflation expectation. The mean expectation rose slightly to 4.2% from last quarter's 4.1%. The median expectation increased to 3.0% from 2.0% last quarter.

Figure 5 shows the five-year-ahead cumulative average house price inflation expectations (how much prices are expected to have changed in five years' time).

Both mean and median expectations for five-year-ahead house price inflation increased this quarter. The mean expectation increased from last quarter's 9.1% to 9.5% this quarter. The median expectation increased 1 percentage point to 8.0% from 7.0% in the previous quarter.



Figure 5: Five-year-ahead house price inflation expectation (%)



Households expected 8.7% growth in their earnings next year

Respondents are asked about the expected percentage change in their earnings 12 months ahead, assuming they stay at the same job, with the same number of hours. They are asked to give an answer on a scale of -100 to +100. This question was first asked in the March 2022 quarter and is asked only of those who are employers, self-employed, or employees earning a wage or salary.

This quarter, the mean estimate increased to 8.7% from last quarter's 6.3%. The median estimation remained consistent at 0%.



Expectation of missing a mortgage payment in the next 3 months increased to 17.3%

Respondents are asked on a scale of 0 (i.e. not at all likely) to 100 (i.e. extremely likely) the chance they will miss a mortgage or rent payment in the next 3 months. This question was first asked in the March 2022 quarter and is asked of a sub-set of the total sample.

This quarter, the average chance of not being able to make a mortgage payment in the next 3 months is 17.3%, a 4.9 percentage point increase from 12.4% reported in the previous quarter. It is the highest percentage since the June 2022 quarter (see Figure 7).

The average reported chance of missing a rent payment in the next 3 months was 18.0%, an increase from last quarter's 16.2% (see Figure 8).

Figure 7: Chance of missing a mortgage payment (%)

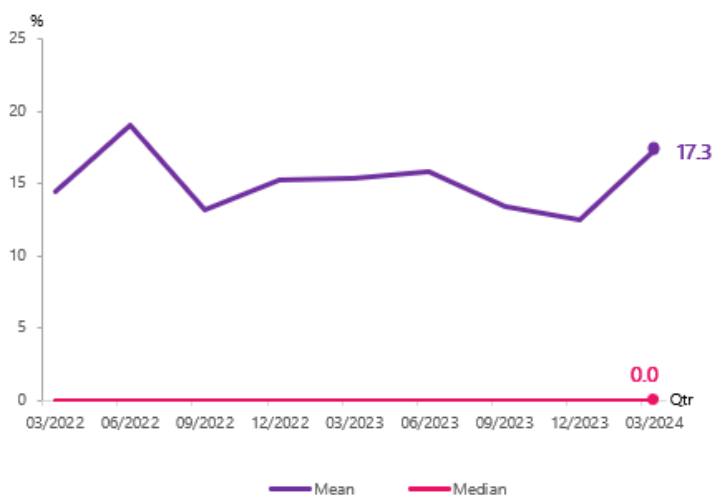
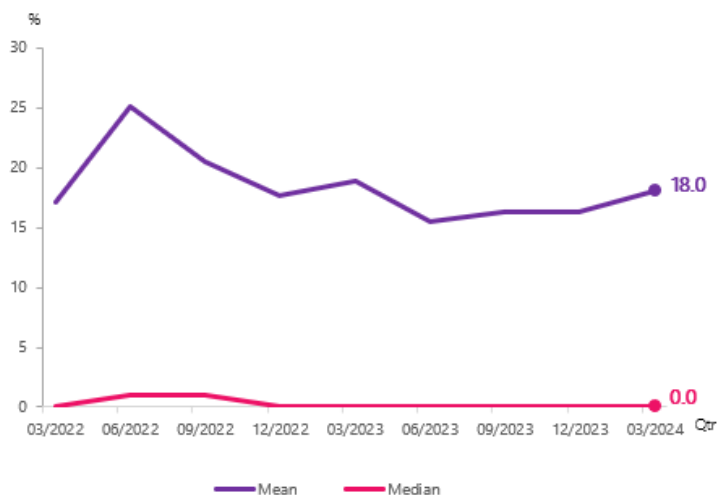


Figure 8: Chance of missing a rent payment (%)



About the Tara-ā-Whare – Household Expectations Survey:

The RBNZ Household Expectations Survey was re-developed in 2022 Q1 and renamed to *Tara-ā-Whare - Household Expectations Survey*. The word "Tara" is derived from Pakitara, or the walls, and "Whare" means a house. Tara-ā-Whare is also used to describe going to door to door, to ask questions.

The data for this report was collected by Research NZ on behalf of RBNZ. Fieldwork for this survey was conducted between 24th January and 2nd February 2024. The sample size for this quarter's survey was n=1,001 and has a margin of error of +/-3% for a 95% confidence interval for a 50% figure. The survey is conducted online and is made up of a nationally representative sample of New Zealand residents aged 18 and over. Because the survey is a sample of New Zealand households and varies quarter to quarter, we advise caution in interpreting results across quarters as they may not be 'statistically significant' (i.e. the observed result may have occurred by chance or by sampling error). For more information, contact: stats-info@rbnz.govt.nz