

Thursday, 1 March 2018

Inflation Expectations unchanged at 4.5% to start 2018

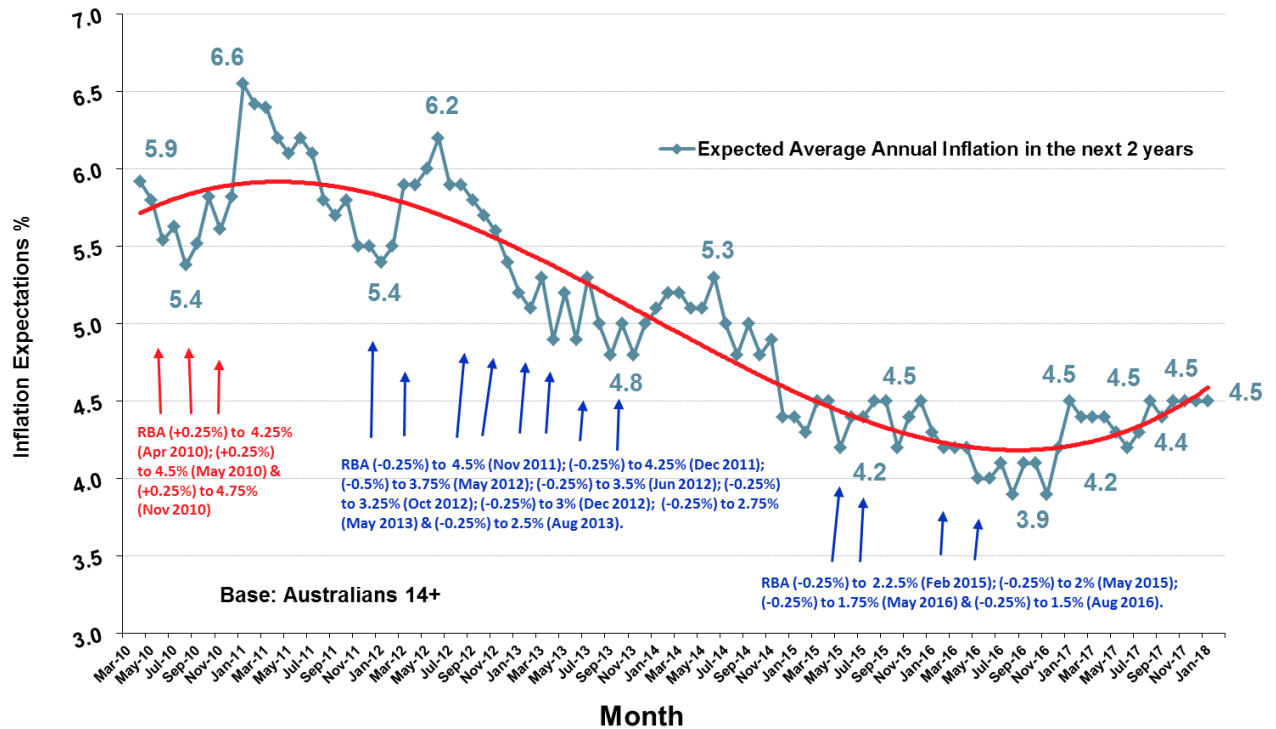
Australians began the year expecting inflation of 4.5% per year over the next two years. This is unchanged for a third straight month and also unchanged on a year ago in January 2017.

Despite overall Inflation Expectations remaining unchanged over the last year, there have been significant variations amongst different generations with Inflation Expectations up for both the oldest and youngest generations, pre-Boomers and Generation Z, whilst Inflation Expectations have fallen significantly for Baby Boomers. These results are explored in depth later in this release.

Inflation Expectations have levelled off in recent months after rising throughout the last year. 2017 was the first year since the series began in 2010 that Inflation Expectations were higher year-over-year in every month.

Despite the increases throughout 2017 Inflation Expectations remain well below the seven year average of 5.0% and are based on a nationwide face-to-face survey of 4,053 Australians aged 14+ interviewed in January.

Roy Morgan Inflation Expectations Index – Expected Annual Inflation in next 2 years



Source: Roy Morgan Single Source: Interviews with an average of 4,000 Australians per month aged 14+ (April 2010 – January 2018).

Inflation Expectations of ALP & Liberal supporters virtually unchanged in January

Analysing Inflation Expectations by Federal voting intention shows ALP supporters (4.5%) have Inflation Expectations equal to the national average above those of L-NP supporters (4.1%).

Supporters of both major parties have clearly higher Inflation Expectations than Greens supporters on 3.8%, although it is again supporters of Independents/Others that again have the highest Inflation Expectations at 5.3%

FOR IMMEDIATE RELEASE

Inflation Expectations to start 2018 highest in Queensland and lowest in WA

Analysis of Inflation Expectations by State shows Queensland Inflation Expectations remained the highest in Australia in early 2018 at 4.8% with the southern States of Victoria and Tasmania, both on 4.7%, and South Australia on 4.6% also above the national average.

Once again Western Australia has the lowest Inflation Expectations of any State, well below the national average at 3.8% while largest State New South Wales is just below the national average on 4.4%.

Inflation Expectations up most for the youngest and oldest Australians

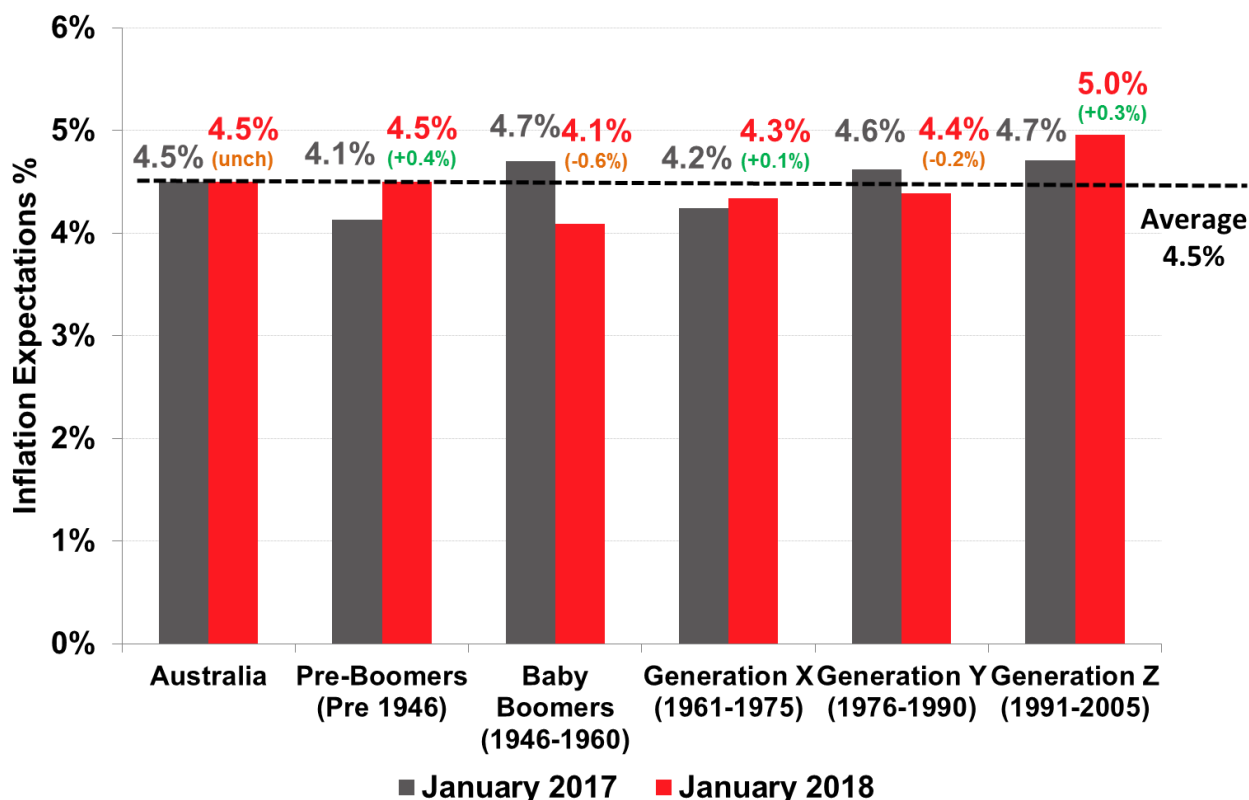
On a national level Inflation Expectations in Australia have remained unchanged at 4.5% for the last four months, and even compared to a year ago in January 2017. However, different generations in Australia have significantly different views on the level of inflation in the Australian economy.

Interestingly it is the youngest Australians, Generation Z with Inflation Expectations of 5.0%, up 0.3%, and the oldest Australians, the Pre-Boomers, with Inflation Expectations of 4.5%, up 0.4%, who believe inflation has increased the most over the past year.

These two generations now have the highest Inflation Expectations of any generation in Australia.

In contrast, Inflation Expectations for Baby Boomers have dropped a significant 0.6% to 4.1% and Australians aged 57-72 years old now have the lowest Inflation Expectations of any generation.

Inflation Expectations by Generations (January 2017 v January 2018)



Source: Roy Morgan Single Source interviews with 4,121 Australians aged 14+ in January 2017 and 4,053 Australians aged 14+ in January 2018.

Michele Levine, CEO, Roy Morgan, says Inflation Expectations increased across the board in 2017 but have stabilised in recent months, now unchanged since October:

“Roy Morgan Inflation Expectations were unchanged at 4.5% in January, the third straight month Inflation Expectations have remained unchanged. Inflation Expectations are also unchanged on a year ago in January 2017.

“However, although the headline figure has stabilised in recent months, different generations have very different views on the direction of inflation compared to this time last year.

“Australia’s youngest and oldest generations have seen the biggest increase in Inflation Expectations over the past year. Inflation Expectations are 5.0% for Generation Z, up 0.3% on a year ago and clearly higher than any other generation. Also increasing are the Inflation

Expectations of pre-Boomer, up 0.4% to 4.5% and level with the national average whereas they were clearly the lowest a year ago.

“However, heading in the other direction are Inflation Expectations for Baby Boomers, those born between 1946-1960, now at 4.1%, down 0.6%, and clearly the lowest of all generations.

“Inflation Expectations for Generations X&Y were the least changed on a year ago, but both are slightly below the national averages with Generation Y on 4.4% and Generation X on 4.3%.”

This face-to-face Morgan Poll on Australian inflation expectations was conducted during the month of January 2018 with an Australia-wide cross-section of 4,053 Australians aged 14+.

For comments or more information about Roy Morgan Research’s Inflation Expectations data, please contact:

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Related research findings

Browse our Online Store for an extensive range of profiles on [Australian generations](#) including [Pre-Boomers](#), [Baby Boomers](#), [Generation X](#), [Generation Y](#), [Millennials](#) and [Generation Z](#).

Compiled with data from Roy Morgan’s Single Source survey (the largest of its kind in the world, with 50,000 respondents p.a), these ready-made profiles provide a broad understanding of the target audience, in terms of demographics, attitudes, activities and media usage in Australia.

The questions used to calculate the Monthly Roy Morgan Inflation Expectations Index.

1) Prices.

“During the next 2 years, do you think that prices in general will go up, or go down, or stay where they are now?”

2a) If stay where they are now.

“Do you mean that prices will go up at the same rate as now or that prices in general will not go up during the next 2 years?”

2b) If go up or go down.

“By about what per cent per year do you expect prices to (go up/ go down) on average during the next 2 years?”

3) If respondent says more than 5%.

“Would that be (x%) per year, or is that the total for prices over the next 2 years?”

The Roy Morgan Inflation Expectations Index is a forward looking indicator unlike the Consumer Price Index (CPI) and is based on continuous (weekly) measurement, and monthly reporting. The Roy Morgan Inflation Expectations Index is current and relevant.



Monthly Roy Morgan Inflation Expectations Index (2010 – 2018)

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Yearly Average</u>
2010	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	5.9	5.8	5.5	5.6	5.4	5.5	5.8	5.6	5.8	5.7
2011	6.6	6.4	6.4	6.2	6.1	6.2	6.1	5.8	5.7	5.8	5.5	5.5	6.0
2012	5.4	5.5	5.9	5.9	6.0	6.2	5.9	5.9	5.8	5.7	5.6	5.4	5.8
2013	5.2	5.1	5.3	4.9	5.2	4.9	5.3	5.0	4.8	4.9	4.8	5.0	5.0
2014	5.1	5.2	5.2	5.1	5.1	5.3	5.0	4.8	5.0	4.8	4.9	4.4	5.0
2015	4.4	4.3	4.5	4.5	4.2	4.4	4.4	4.5	4.6	4.2	4.4	4.5	4.5
2016	4.3	4.2	4.2	4.2	4.0	4.0	4.1	3.9	4.1	4.1	3.9	4.2	4.1
2017	4.5	4.4	4.4	4.4	4.3	4.2	4.3	4.5	4.4	4.5	4.5	4.5	4.4
2018	4.5												4.5
Monthly Average	5.0	5.0	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	4.9	4.9	5.0

Overall Roy Morgan Inflation Expectations Average: 5.0

About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 75 years' experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2