

Wednesday, 30 January 2019

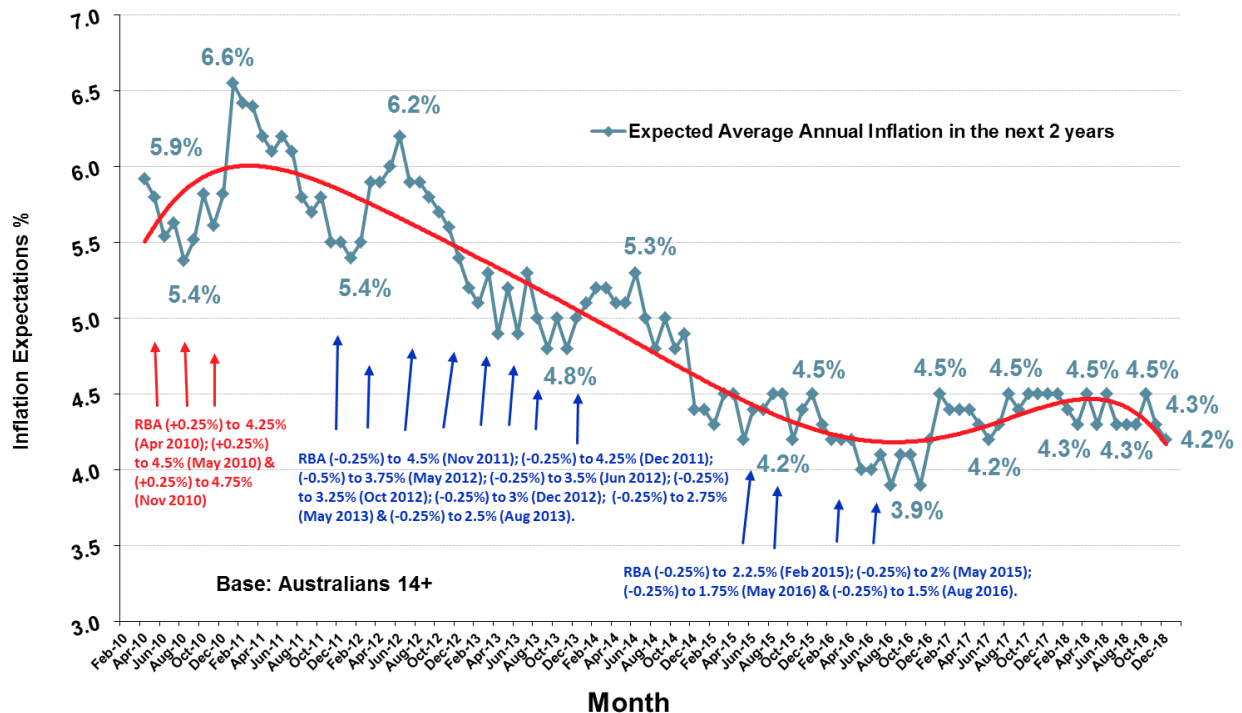
Inflation Expectations down 0.1% to 4.2% in December

In December Australians expected inflation of 4.2% per year over the next two years. This is down 0.1% on a month ago and down 0.3% on a year ago in December 2017. Inflation Expectations have now tracked in a narrow range between 4.2-4.5% for over two years since November 2016.

Analysing Inflation Expectations by gender and age shows that women of all ages have higher Inflation Expectations than men of the same age. Given this trend it is unsurprising that young women aged 14-34 years old have the highest Inflation Expectations of 5.1% while men aged 65+ years old have the lowest Inflation Expectations of only 3.2%. **See below for a full analysis of these results in more detail.**

Inflation Expectations have dropped further below the eight year average of 5.0%. December Inflation Expectations are based on a nationwide face-to-face survey of 4,104 Australians aged 14+.

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



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

Inflation Expectations now highest in Queensland and lowest in South Australia

Analysis of Inflation Expectations by State shows a mixed picture with Inflation Expectations rising in three States and declining in the remainder. Inflation Expectations were up in Queensland to 4.9%, now the highest of any State, and also up slightly in both New South Wales to 4% and Western Australia to 3.9%.

In contrast, Inflation Expectations fell in South Australia to 3.8%, to the lowest for over two years in that State, and now the lowest of any State. Inflation Expectations were also down in Tasmania to 4.8% and down in Victoria to 4.3%. These are the lowest Inflation Expectations in Victoria for nearly two years since May 2017.

Inflation Expectations down for supporters of all parties and lowest for L-NP supporters

Inflation Expectations fell in December for supporters of all political parties. L-NP supporters again had the lowest Inflation Expectations of supporters of any party now at only 3.6%, down 0.1% in December. L-NP supporters have now had the lowest Inflation Expectations of any supporters since April 2018.

Inflation Expectations for ALP supporters were down 0.2% to 4.0% in December and are now at their lowest for over two years since November 2016. Inflation expectations for Greens supporters were also down 0.2% to 4.0% in December while Inflation Expectations for supporters of Independents/Others were down 0.1% to 4.8%.

Inflation Expectations down for young women and men, but up for older women

Analysing Inflation Expectations by gender & age compared to this time a year ago shows Inflation Expectations down most significantly for younger women under 50 years of age while also dropping for men aged 35 years and older.

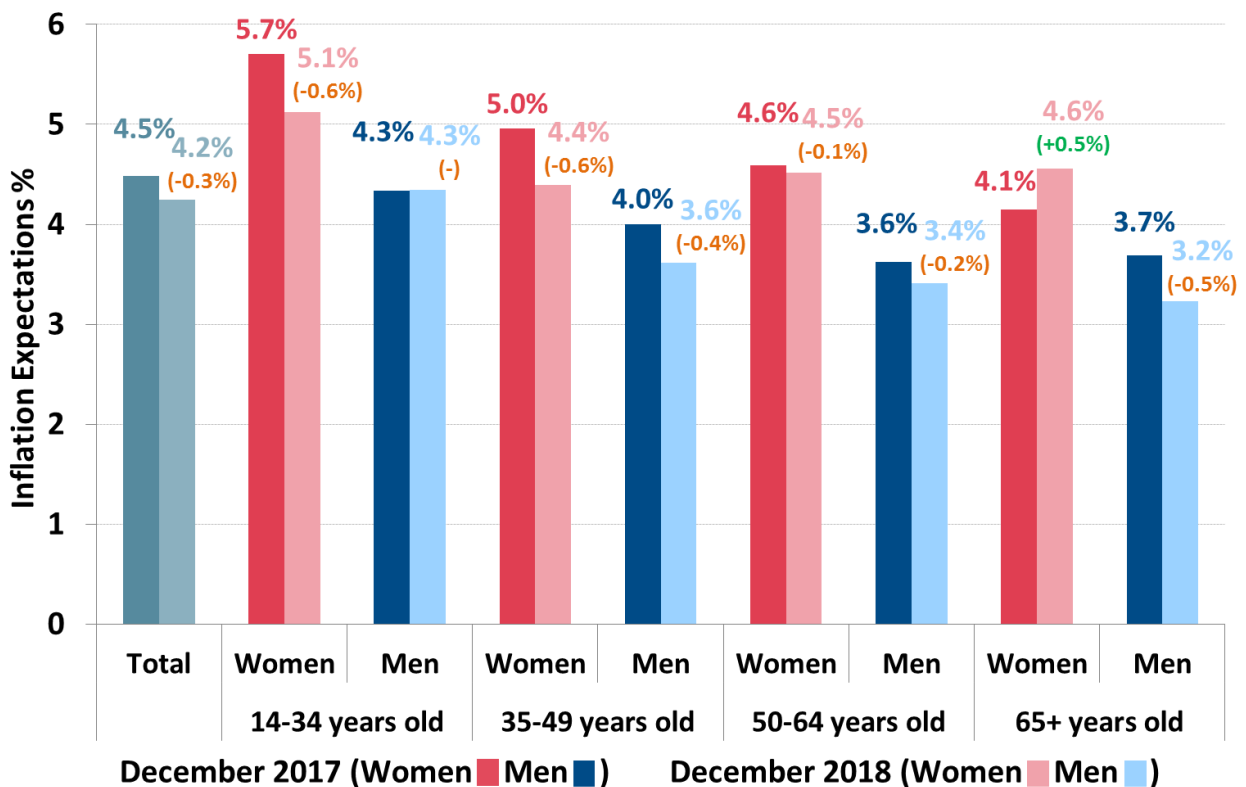
A consistent trend across all four measured age groups is that women have significantly higher Inflation Expectations than men of the same age ranging from 0.8% higher for women aged 14-34 and 35-49 years old and up to 1.4% higher for women aged 65+ years old.

Although the Inflation Expectations of women aged 14-34 years old are down by 0.6% to 5.1% from a year ago this demographic still has the highest Inflation Expectations of any gender and age group. Inflation Expectations have also dropped significantly for women aged 35-49 years old by 0.6% to 4.4%.

Inflation Expectations for young men aged 14-34 years old are unchanged from a year ago, however the Inflation Expectations for men of all other ages have dropped from a year ago. The Inflation Expectations of men aged 65+ years old have dropped the most, by 0.5% to only 3.2%, and are now the lowest of any gender and age group.

In contrast to all other gender and age groups the Inflation Expectations of women aged 65+ years old have increased by 0.5% from a year ago to 4.6%.

Inflation Expectations by Gender & Age December 2017 cf. December 2018



Source: Roy Morgan Single Source: December 2017, n=4,167 and December 2018, n=4,104. Base: Australians 14+.

Michele Levine, CEO, Roy Morgan, says overall Inflation Expectations in Australia have now fallen for two straight months to 4.2% – the lowest Inflation Expectations since mid-2017:

“Roy Morgan Inflation Expectations are 4.2% in December (down 0.1% since November) and down 0.3% on a year ago. However, a longer-term analysis of Inflation Expectations shows the indicator has now been stuck in a narrow band between 4.2-4.5% for two straight years since late 2016.

“This long period of stability in Inflation Expectations since late 2016 closely tracks a record period of Australian interest rates remaining unchanged. The RBA has now completed two calendar years without moving Australian interest rates although expectations are growing that the RBA may be forced to act during 2019 if Australian house prices continue to decline.

“Housing prices peaked in Australia’s two largest cities of Sydney and Melbourne in late 2017 and have declined over the last 12-18 months in both cities as well as Perth since the end of the mining boom. However, housing prices in Brisbane and Adelaide have been relatively stable while housing prices in the smaller market of Hobart have been up significantly since 2017.

“Other Roy Morgan leading indicators including [Roy Morgan Business Confidence \(112.2 in December, down 1.6pts from November\)](#) and [ANZ-Roy Morgan Consumer Confidence \(115.7 on January 19/20, 2019\)](#) have weakened in recent months as uncertainty about the direction of the Australian economy in 2019 has increased.

“The next few months contain several events likely to keep these indicators under pressure. These events include the release of the findings of the Hayne Royal Commission into Misconduct in the Banking & Finance industry in early February, the NSW State election in late March and a Federal election, with an expected change of Government, two months after that in mid-May.”

This in-depth face-to-face research on Australian inflation expectations was conducted during the month of December 2018 with an Australia-wide cross-section of 4,104 Australians aged 14+.

For comments and information about Roy Morgan’s Inflation Expectations data, please contact:

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Related research findings

Browse our Online Store for an extensive range of reports on Inflation Expectations and [Consumer Confidence](#), [Business Confidence](#), [Federal voting intention](#) and many other profiles. In addition to these leading indicators browse the Online Store for an extensive range of profiles on Australians of different ages, [aged under 25 years old](#), [25-34 years old](#), [35-49 years old](#), [50-64 years old](#) and those aged [65+ years old](#).

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	4.5	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	4.4	4.3	4.5	4.3	4.5	4.3	4.3	4.3	4.5	4.3	4.2	4.4
Monthly Average	5.0	4.9	5.0	5.1	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.8	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
50,000	±0.4	±0.4	±0.3	±0.2