

Friday, 21 September 2018

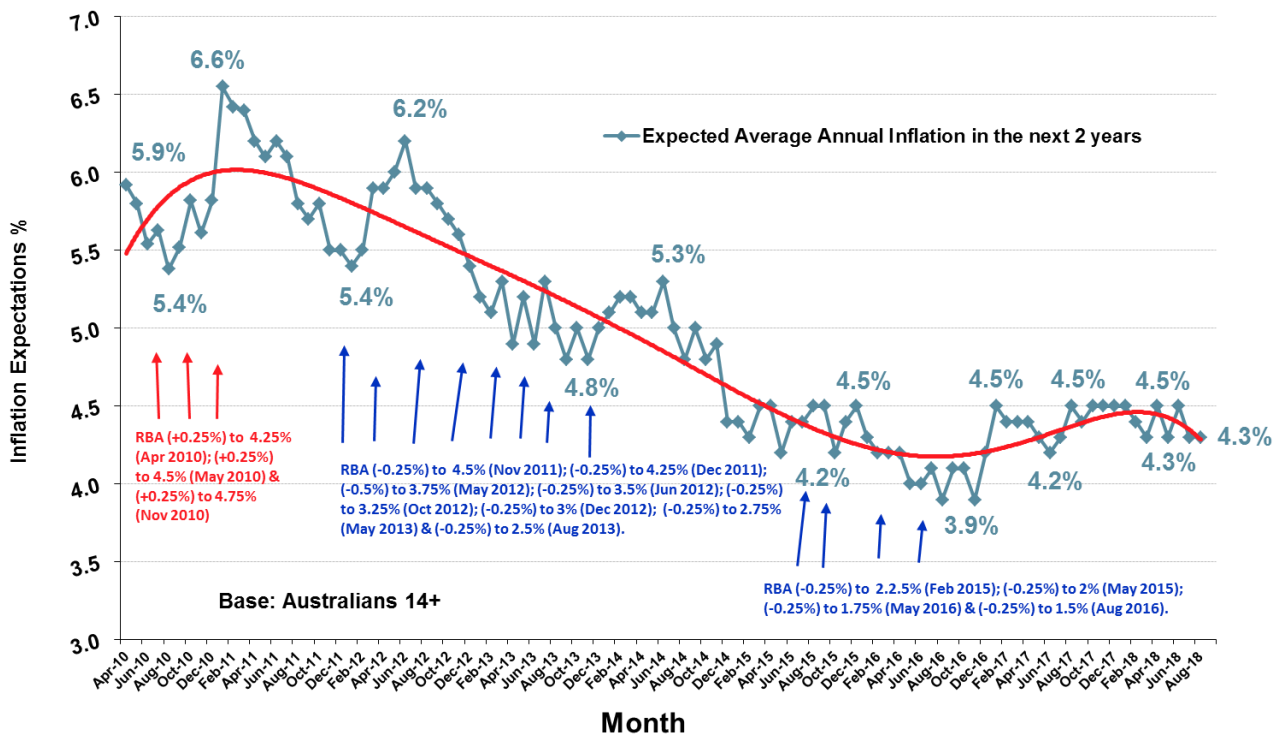
Inflation Expectations for employed Australians lower than a year ago

In August Australians expected inflation of 4.3% per year over the next two years. This is unchanged on a month ago, but down 0.2% from a year ago in August 2017. Inflation Expectations have now tracked in a narrow range between 4.3-4.5% for 14 straight months since July 2017.

Analysing Inflation Expectations by employment category and type of occupation shows Inflation Expectations are lower than a year ago almost across the board with the exception of Australians employed in the public service while Inflation Expectations have increased for Australians not in employment. **See below for analysis of these results in more detail.**

Inflation Expectations remain well below the eight year average of 5.0%. August Inflation Expectations are based on a nationwide face-to-face survey of 4,385 Australians aged 14+.

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 – August 2018).

Inflation Expectations now highest in Tasmania & Queensland and again lowest in WA

Analysis of Inflation Expectations by State shows Inflation Expectations were up in Queensland to 4.6%. Inflation Expectations also increased in New South Wales to 4.2% and Western Australia to 3.8%. Despite the increase in Inflation Expectations WA still has the lowest Inflation Expectations of any State.

Inflation Expectations were unchanged in Victoria at 4.4% while falling in South Australia to 4.4% and were also down in Tasmania to 4.8%.

Inflation Expectations clearly lowest for L-NP supporters in August

Inflation Expectations for L-NP supporters were unchanged at 3.5% in August and are still well below supporters of all other parties. In contrast Inflation Expectations for ALP supporters are now just below the national average down 0.3% to 4.2%.

Supporters of Independents/Others again have the highest Inflation Expectations of any supporters unchanged at 4.9% while Greens supporters Inflation Expectations fell 0.1% to 3.8%.

Inflation Expectations pulled down by employed Australians, higher for 'Not employed'

Analysing Inflation Expectations in Australia shows falls across most occupation types and employment categories over the past year in line with lower overall Inflation Expectations in Australia – now 4.3% down 0.2% from a year ago.

Inflation Expectations for employed Australians for August 2018 dropped to only 3.9%, down 0.4% on a year ago. In comparison, Australians that are not employed – including retired Australians, students, those on home duties, those choosing to not work and the unemployed – increased by 0.1% to 4.9%.

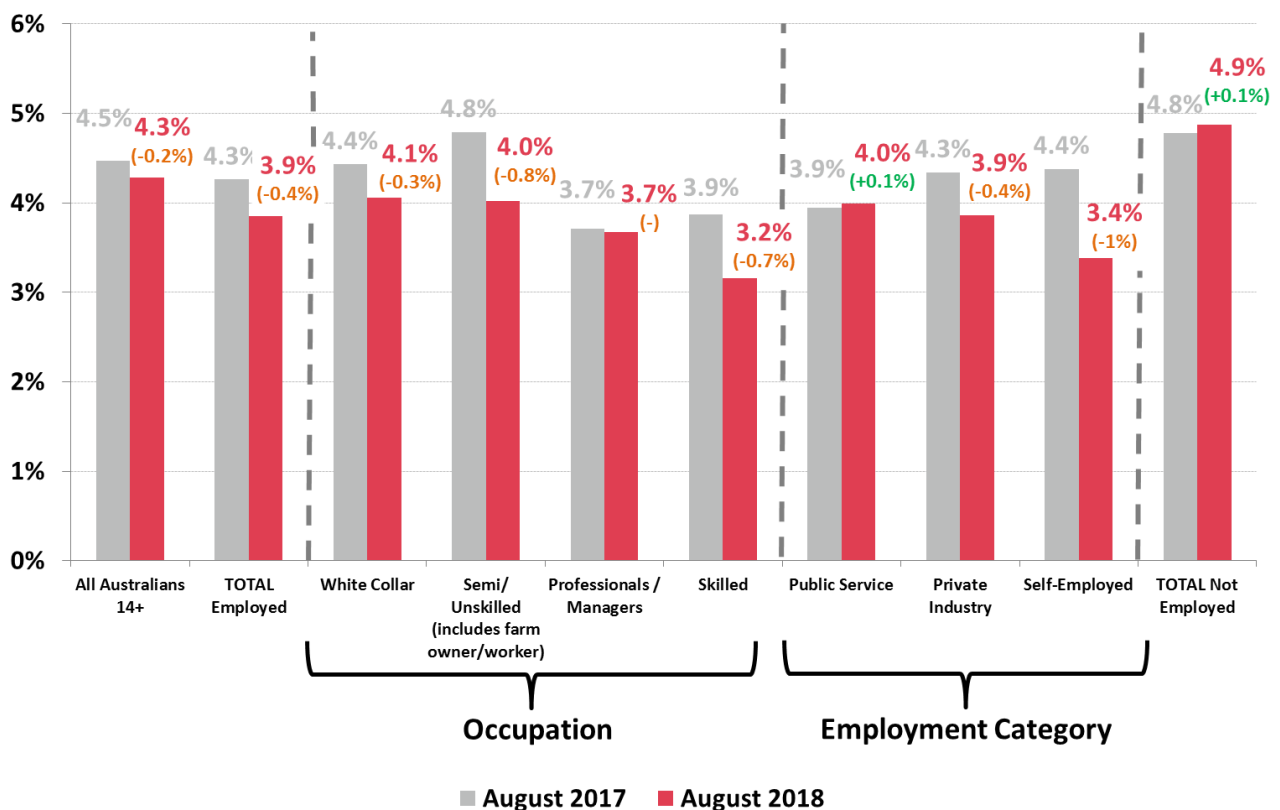
Analysing Inflation Expectations by employment category shows that Inflation Expectations for self-employed Australians dropped significantly, down 1% to 3.4% while Inflation Expectations of Australians employed in Private industry dropped 0.4% to 3.9%.

In contrast, Australians in public sector employment now have higher Inflation Expectations than a year ago, up by 0.1% to 4%.

Analysing Inflation Expectations by occupation type shows Inflation Expectations for skilled Australians fell by 0.7% to 3.2% over the last year, were down 0.8% to 4% for semi/unskilled Australians and dropped by 0.3% to 4.1% for Australians in white collar employment.

Australians employed in professional/managerial positions didn't see a decline with Inflation Expectations unchanged at 3.7% compared to a year ago.

Inflation Expectations by Occupation & Employment Category August 2017 cf. August 2018



Source: Roy Morgan Single Source: August 2017, n=4,064 and August 2018, n=4,385. Base: Australians 14+.

Michele Levine, CEO, Roy Morgan, says Inflation Expectations in Australia have been very stable between 4.2-4.5% for over 18 months now but over the last year there has been a divergence in Inflation Expectations for employed Australians (lower) and those Australians not working (higher):

“Roy Morgan Inflation Expectations are unchanged at 4.3% in August but down 0.2% on a year ago. Inflation Expectations have now been stuck in a narrow band between 4.2-4.5% for 21 months since December 2016 – easily the longest period of stability since the index began in April 2010.

“Perhaps unsurprisingly this long period of stability coincides with the RBA leaving Australian interest rates on hold for a record long time period. It’s now over two years since the RBA last moved Australian interest rates in August 2016, down by 0.25% to a record low 1.5%.

“Analysing why Australians have lower Inflation Expectations than a year ago shows that employed Australians have been driving Inflation Expectations lower. In contrast Australians ‘not employed’ which includes retired Australians, those on home duties, students not working, the unemployed and those Australians choosing not to work as a group have higher Inflation Expectations than a year ago.

“Employed Australians now have Inflation Expectations of 3.9%, down 0.4% on a year ago driven lower by falling Inflation Expectations amongst semi/unskilled Australians, skilled Australians, white collar employees, Australians working in private industry and the self-employed. Inflation Expectations for all these categories are down by between 0.3-1% over the last year.

“In contrast to the majority of the workforce Australians employed in the public sector have ‘bucked the trend’ and now have higher Inflation Expectations than a year ago – up by 0.1% to 4%. A similar result was observed the last time we analysed employment categories in February 2018 – [see here](#).

“A key driver of the divergence of Inflation Expectations between those in the public sector and private industry appears to be the higher wage increases experienced by public sector employees. Wage increases for those employed in the public sector have outpaced wage growth for private sector employees since the Global Financial Crisis a decade ago and this gap has grown even wider over the last few years.

“Also working to reduce wage pressures is Australia’s continuing high level of real unemployment and under-employment. In [August over 2.5 million Australians \(19% of the workforce\) were either unemployed or under-employed](#). This is not a new development, over 2 million Australians have been looking for work or looking for more work in [every month since September 2015 three years ago](#).

“Contact Roy Morgan today to learn more about how your consumers and customers are tracking.”

This face-to-face research on Australian inflation expectations was conducted during the month of August 2018 with an Australia-wide cross-section of 4,385 Australians aged 14+.

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

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Related research findings

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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					4.4
Monthly Average	5.0	4.9	5.0	5.1	5.0	5.0	5.0	4.9	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
50,000	±0.4	±0.4	±0.3	±0.2