

Thursday, 21 March 2019

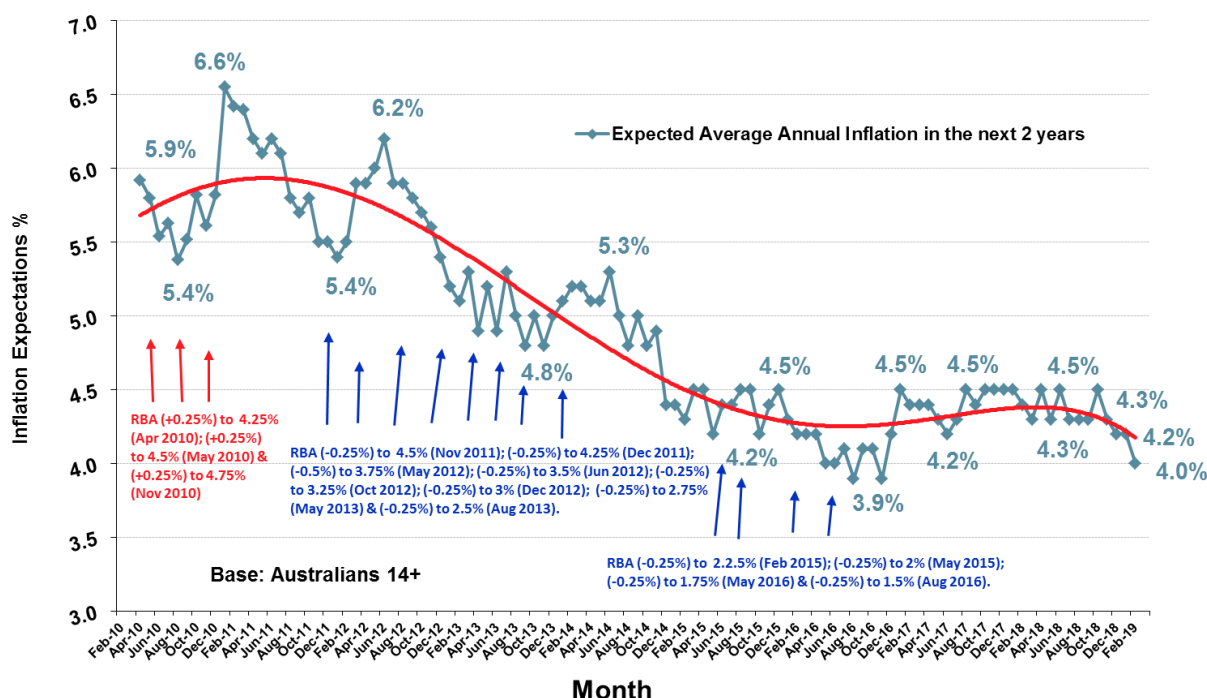
## Inflation Expectations lowest in over two years

In February, Australians expected inflation of only 4% per year over the next two years. This is down 0.2% on January and down a significant 0.4% on a year ago in February 2018. Inflation Expectations have now broken below the range they have tracked in for over two years and are now at their lowest since November 2016.

Analysing Inflation Expectations by major cities shows declines in Inflation Expectations across all capital cities in Australia over the past year with clearly the biggest declines in Australia's two largest cities of Sydney and Melbourne. There have been lesser declines in Brisbane, Perth, Adelaide and Tasmania over the past year. **See below for a full analysis of these results in more detail.**

Inflation Expectations have now dropped significantly below the nine year average of 4.9%. February Inflation Expectations are based on personally interviewing a nationwide sample of 4,234 Australians aged 14+ face-to-face in their own homes.

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



Source: Roy Morgan Single Source: Interview s an average of 4,000 Australians per month aged 14+ (Apr. 2010 – Feb. 2019).

### Inflation Expectations now highest in Queensland and again lowest in Western Australia

Analysis of Inflation Expectations by State shows Inflation Expectations down across the board in February with falls in all six States.

Inflation Expectations in New South Wales have fallen to an all-time record low since this index began nine years ago of only 3.8% while in Western Australia Inflation Expectations are down to 3.7% and are again the lowest Inflation Expectations of any State.

In Victoria Inflation Expectations have dropped below the national average to only 3.9%, the lowest in that State for over two years since November 2016.

Inflation Expectations in the other three States are all above the national average but fell in February with South Australia down to 4.2%, Tasmania down to 4.3% and Queensland down to 4.4% now with the highest Inflation Expectations of any State.

### **Inflation Expectations unchanged for L-NP & ALP supporters but down for other supporters**

Inflation Expectations for Australian electors fell to 3.8% in February now at its lowest for over two years since November 2016.

Inflation Expectations for supporters of the major parties were unchanged in February with L-NP supporters having Inflation Expectations of only 3.6% and Inflation Expectations for ALP supporters of 3.9%.

In contrast Inflation Expectations for Greens supporters fell by 0.5% to 3.8% while supporters of Independents/Others still had the highest Inflation Expectations of any group at 4.3%, although this was down 0.2%.

### **Inflation Expectations down most in Sydney and Melbourne, but lowest in Perth**

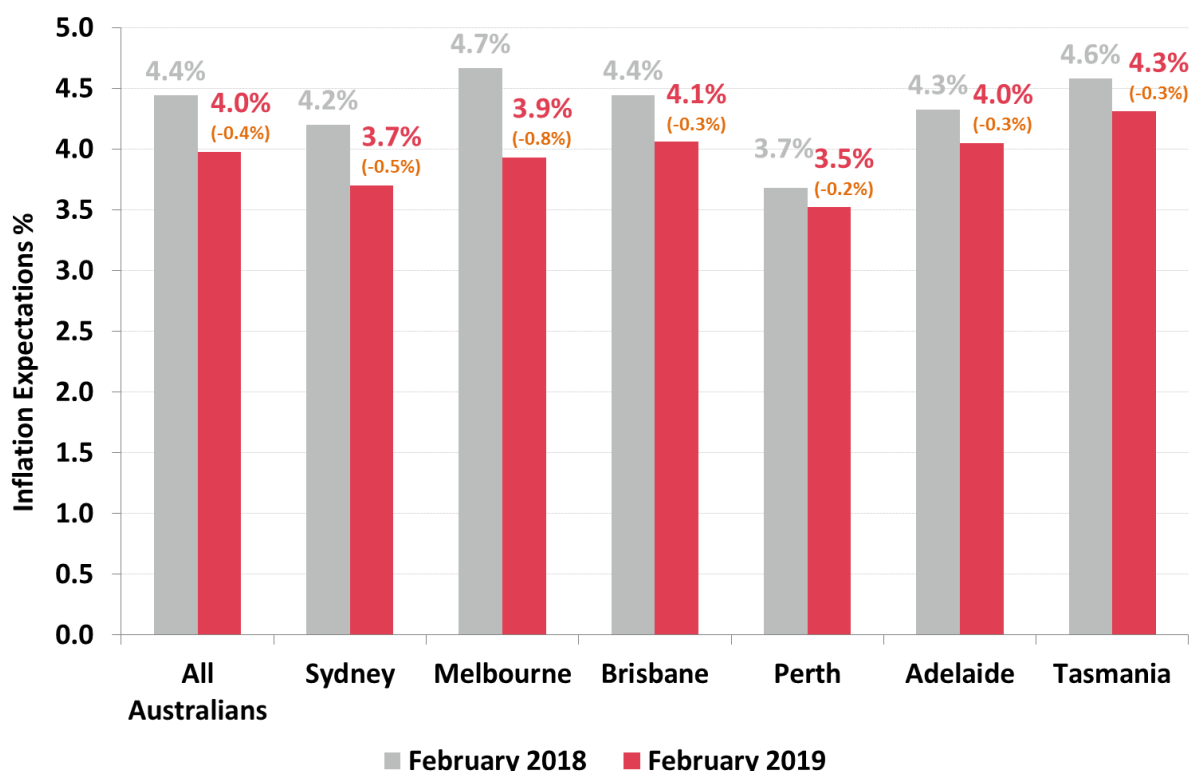
Analysing Inflation Expectations by capital cities in Australia shows it is Australia's two largest cities of Sydney and Melbourne which have had the largest declines in Inflation Expectations over the last year.

Inflation Expectations in Melbourne have dropped by a significant 0.8% to 3.9% to the lowest in the Victorian capital for over two years since January 2017. Inflation Expectations in Sydney are down by a significant 0.5% to only 3.7% and well below the national average of 4%.

However, despite the larger falls in Sydney and Melbourne, Inflation Expectations remain the lowest in Perth at only 3.5%, down 0.2% from a year ago. These are the lowest Inflation Expectations in Perth for over 18 months since July 2017.

Inflation Expectations were also down in the other major markets with Inflation Expectations falling 0.3% to 4% in Adelaide, down by 0.3% to 4.1% in Brisbane and down by 0.3% to 4.3% in Tasmania. Inflation Expectations in Tasmania remain higher than all five mainland capital cities.

### **Inflation Expectations by Capital Cities February 2018 cf. February 2019**



Source: Roy Morgan Single Source: February 2018, n=3,984 and February 2019, n=4,234. Base: Australians 14+.

**Michele Levine, CEO, Roy Morgan, says Inflation Expectations have now dropped to their lowest since late 2016 at only 4% in February led by falls in Australia's two largest cities of Sydney and Melbourne as property prices have fallen from their highs in 2017:**

*"Roy Morgan Inflation Expectations fell by 0.2% to 4% in February and are down a significant 0.4% from a year ago. The decrease in Inflation Expectations means the indicator has now reached its lowest point for over two years since late 2016.*

*"Over the last year Inflation Expectations have fallen in all Australian capital cities however it is the biggest cities of Sydney and Melbourne which have experienced the biggest declines. Inflation Expectations in Melbourne have 'crashed' by 0.8% to 3.9% while Inflation Expectations in Sydney are down by 0.5% to 3.7% from a year ago.*

*"The drop in Inflation Expectations is not surprising considering both cities have experienced significant declines in property prices over the past 12-18 months as the housing markets in Sydney and Melbourne peaked in mid-late 2017.*

*"The drop in Sydney's Inflation Expectations over the past year has driven Inflation Expectations in NSW as a whole to a record low of 3.8%. In fact Inflation Expectations fell in all six States in February with Inflation Expectations in Victoria and Tasmania both hitting multi-year lows.*

*"The continuing decline in Inflation Expectations, as well as the drop in Australia's largest housing markets of Sydney and Melbourne, are increasing pressure on the Federal Government to deliver an expansive Federal Budget in two weeks to stimulate the economy as well as for the RBA to cut interest rates in the near future.*

*"The Federal Budget shapes as the Morrison Government's last chance to create a new narrative as Australia heads towards a Federal Election in two months' time. The latest Roy Morgan Poll on Federal voting intention with 1,603 electors showed the ALP 55.5% cf. L-NP 44.5% on a two-party preferred basis in early March.*

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

This in-depth face-to-face research on Australian inflation expectations was conducted during the month of February 2019 with an Australia-wide cross-section of 4,234 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 browse our Online Store for an extensive range of profiles on people who live in [Sydney](#), [Melbourne](#), [Brisbane](#), [Perth](#), [Adelaide](#), [Hobart](#) and elsewhere around Australia.

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 – 2019)

<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>
<b>2010</b>	n/a	n/a	n/a	5.9	5.8	5.5	5.6	5.4	5.5	5.8	5.6	5.8	<b>5.7</b>
<b>2011</b>	6.6	6.4	6.4	6.2	6.1	6.2	6.1	5.8	5.7	5.8	5.5	5.5	<b>6.0</b>
<b>2012</b>	5.4	5.5	5.9	5.9	6.0	6.2	5.9	5.9	5.8	5.7	5.6	5.4	<b>5.8</b>
<b>2013</b>	5.2	5.1	5.3	4.9	5.2	4.9	5.3	5.0	4.8	4.9	4.8	5.0	<b>5.0</b>
<b>2014</b>	5.1	5.2	5.2	5.1	5.1	5.3	5.0	4.8	5.0	4.8	4.9	4.4	<b>5.0</b>
<b>2015</b>	4.4	4.3	4.5	4.5	4.2	4.4	4.4	4.5	4.5	4.2	4.4	4.5	<b>4.5</b>
<b>2016</b>	4.3	4.2	4.2	4.2	4.0	4.0	4.1	3.9	4.1	4.1	3.9	4.2	<b>4.1</b>
<b>2017</b>	4.5	4.4	4.4	4.4	4.3	4.2	4.3	4.5	4.4	4.5	4.5	4.5	<b>4.4</b>
<b>2018</b>	4.5	4.4	4.3	4.5	4.3	4.5	4.3	4.3	4.3	4.5	4.3	4.2	<b>4.4</b>
<b>2019</b>	4.2	4.0											<b>4.1</b>
<b>Monthly Average</b>	<b>4.9</b>	<b>4.8</b>	<b>5.0</b>	<b>5.1</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.8</b>	<b>4.9</b>

**Overall Roy Morgan Inflation Expectations Average: 4.9**

### 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