

Thursday, 13 November 2014

## Australians' Inflation Expectations fall to 4.8% in October as Australian Dollar, Iron Ore and Oil all fall to multi-year lows

**Australian inflation expectations over the next two years have fallen 0.2% to 4.8% per year in October. Inflation expectations are now 0.1% down from a year ago in October 2013.**

Analysis by State shows inflation expectations were driven lower by falls in four out of the six Australian States: New South Wales 4.8% (down 0.3%), Queensland (4.8%, down 0.6%), Western Australia 4.8% (down 0.4%) and Tasmania 3.9% (down 0.5%) – and clearly the lowest inflation expectations in Australia for the third month in a row. Against the trend, inflation expectations rose slightly in Victoria 4.8% (up 0.1%) and substantially in South Australia 5.2% (up 0.7%) – now with the highest inflation expectations in Australia.

Analysis by Federal voting intention shows that L-NP supporters (4.3%) once again have the lowest inflation expectations. Inflation expectations are higher for ALP supporters (4.7%), slightly higher for Greens supporters (4.4%) and substantially higher for supporters of Independent/ Others (5.3%).

The ANZ-Roy Morgan Weekly Consumer Confidence Rating has barely changed over the past month and is largely unchanged at 114.8 (November 8/9, 2014), up slightly from 113.8 (October 11/12, 2014). **However, Roy Morgan Business Confidence fell significantly in October to 114.8 (down 8pts from September).**

**Gary Morgan, Executive Chairman, Roy Morgan says:**

*“Roy Morgan Inflation Expectations Index fell to 4.8% (down 0.2%) in October – the equal lowest Roy Morgan Inflation Expectations have been since surveying began in April 2010. Many factors likely contributed to the fall including the Australian Dollar falling under 87 US cents and its lowest since July 2010 (87.1 US cents today) and the Iron Ore price dropping well below \$80 per tonne and its lowest since September 2009. Roy Morgan Business Confidence also fell in October to 114.8 (down 8pts from September) – its lowest since June 2014.*

*“Inflation expectations fell in four of the six Australian States in October led by New South Wales 4.8% (down 0.3%) and Queensland 4.8% (down 0.6%) and Tasmania 3.9% (down 0.5%) now clearly has Australia’s lowest inflation expectations. South Australia 5.2% (up 0.7%) recorded its second monthly rise in a row and now has clearly Australia’s highest inflation expectations.*

*“Prime Minister Tony Abbott is this week meeting with World Leaders as part of a series of international summits – APEC in China, the East Asian Summit in Myanmar and the G20 in Brisbane, Australia. These meetings are mainly about improving economic prosperity by lowering barriers and increasing trade between the countries involved. The Coalition Government is expected to announce a major new trade deal with China early next week which should provide a boost to several sectors of the Australian economy.”*

This new research-based economic indicator is important for two reasons – it complements existing measures and is available earlier. 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.

This face-to-face Morgan Poll on Australian inflation expectations was conducted during the month of October 2014 with an Australia-wide cross-section of 4,255 Australians aged 14+.

### For further information:

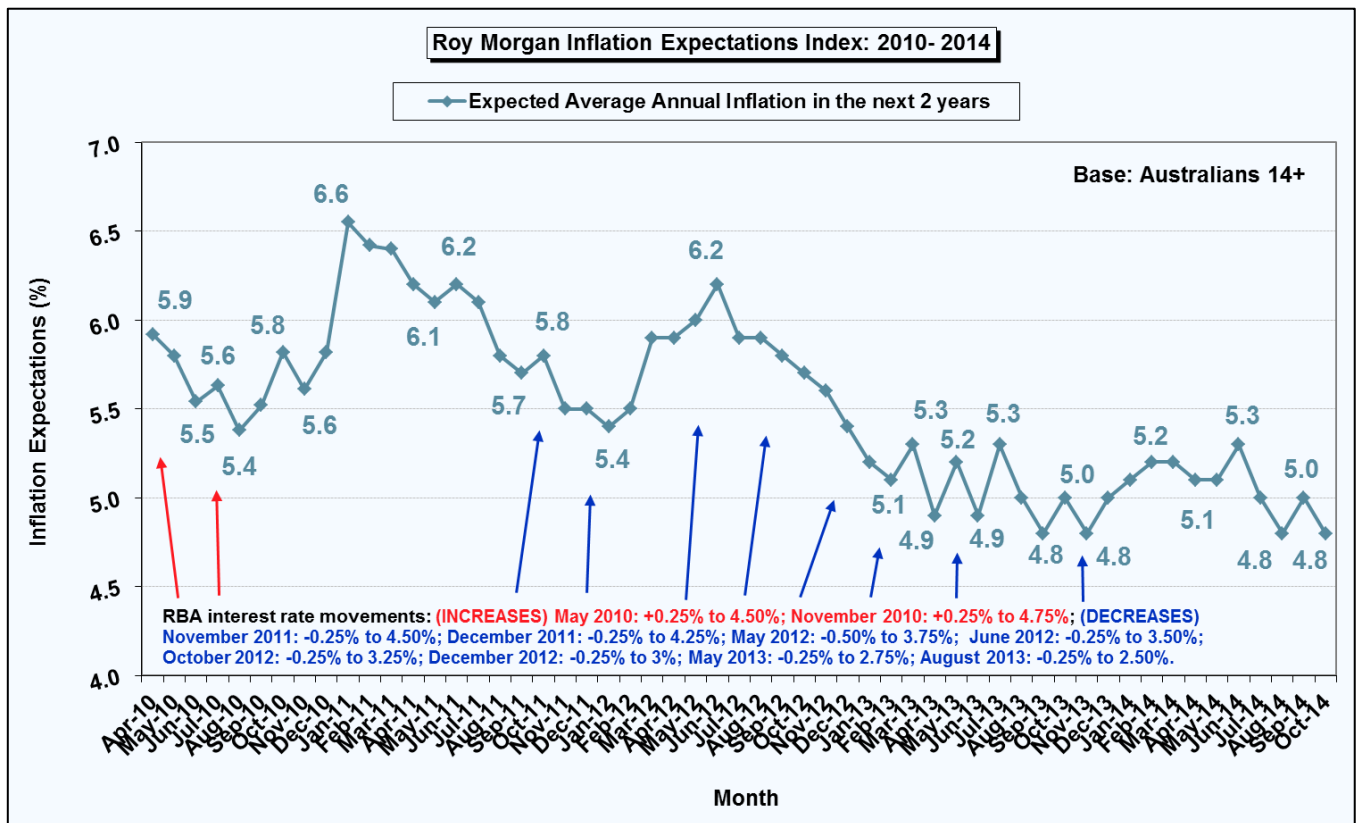
Contact	Office	Mobile
Gary Morgan:	+61 3 9224 5213	+61 411 129 094
Michele Levine:	+61 3 9224 5215	+61 411 129 093

FOR IMMEDIATE RELEASE

## Monthly Roy Morgan Inflation Expectations Index (2010 – 2014)

<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>	<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	<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			<b>5.1</b>

**Overall Roy Morgan Inflation Expectations Average: 5.5**



FOR IMMEDIATE RELEASE

The questions that are 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?”*