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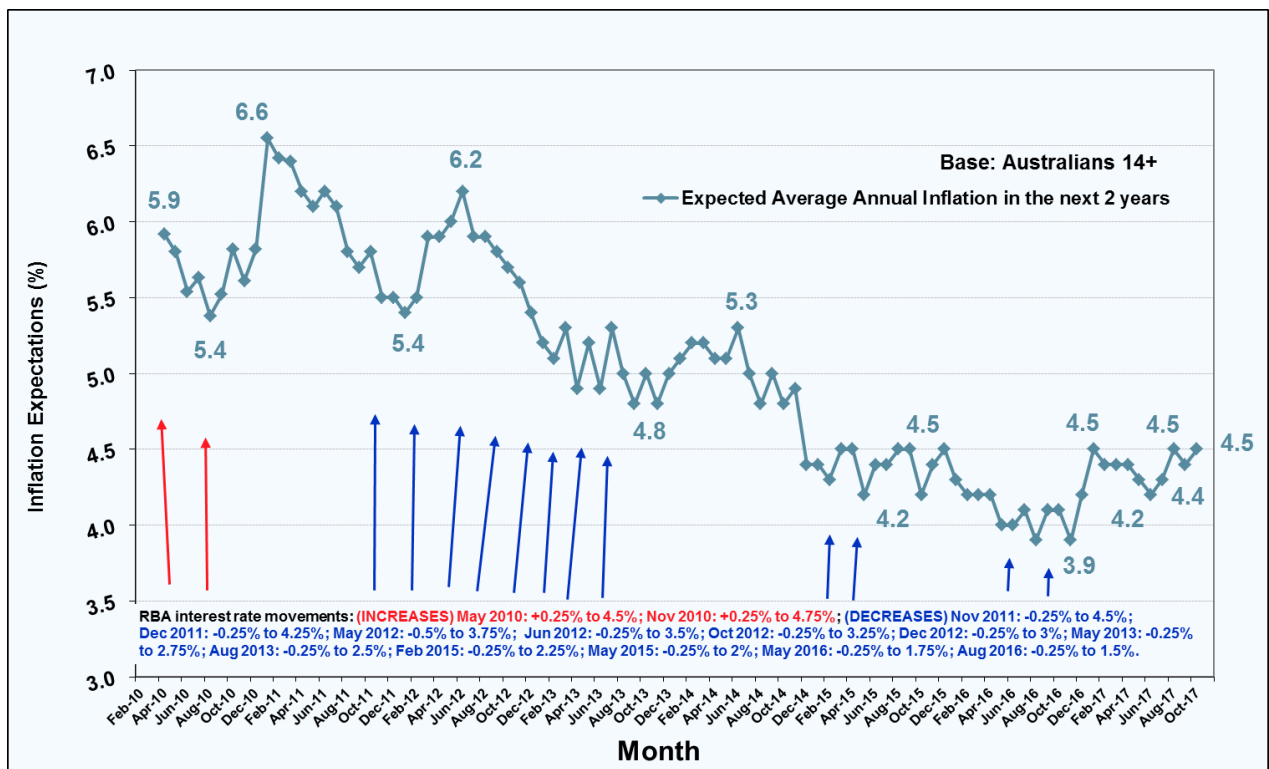
Friday, 1 December 2017

## Australian Inflation Expectations up in October led by renters

In October Australians expect inflation of 4.5% per year over the next two years. This is up 0.1% in a month and up 0.4% from a year ago in October 2016. It's renters, with Inflation Expectations of 4.9% in October, that are driving Inflation Expectations higher compared to home owners (3.9%) and mortgagors (4.2%).

Inflation Expectations remain well below the seven year average of 5.0% and are based on a nationwide face-to-face survey of 4,414 Australians aged 14+ interviewed in October.

### 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 – October 2017).

### Inflation Expectations in South Australia drive national figure higher

Analysis by State shows Inflation Expectations are highest in South Australia at 4.9% with the larger States clustered around the national average: Victoria and Queensland at 4.6% and New South Wales at 4.5%. It is post-mining boom Western Australia with inflation expectations of only 4.0% that continues to have clearly the lowest inflation expectations of any State.

### Inflation Expectations of L-NP & ALP supporters both up in October

Analysing Inflation Expectations by Federal voting intention shows ALP supporters (4.6%) have the highest inflation expectations of either major party supporters ahead of L-NP supporters (4%) and Greens supporters (4.4%) – although the inflation expectations of all three were up in October. As is consistently the case it is supporters of Independents/ Others that have the highest Inflation Expectations in October at 4.7%.

## Renters have consistently higher Inflation Expectations than Home Owners & Mortgagors

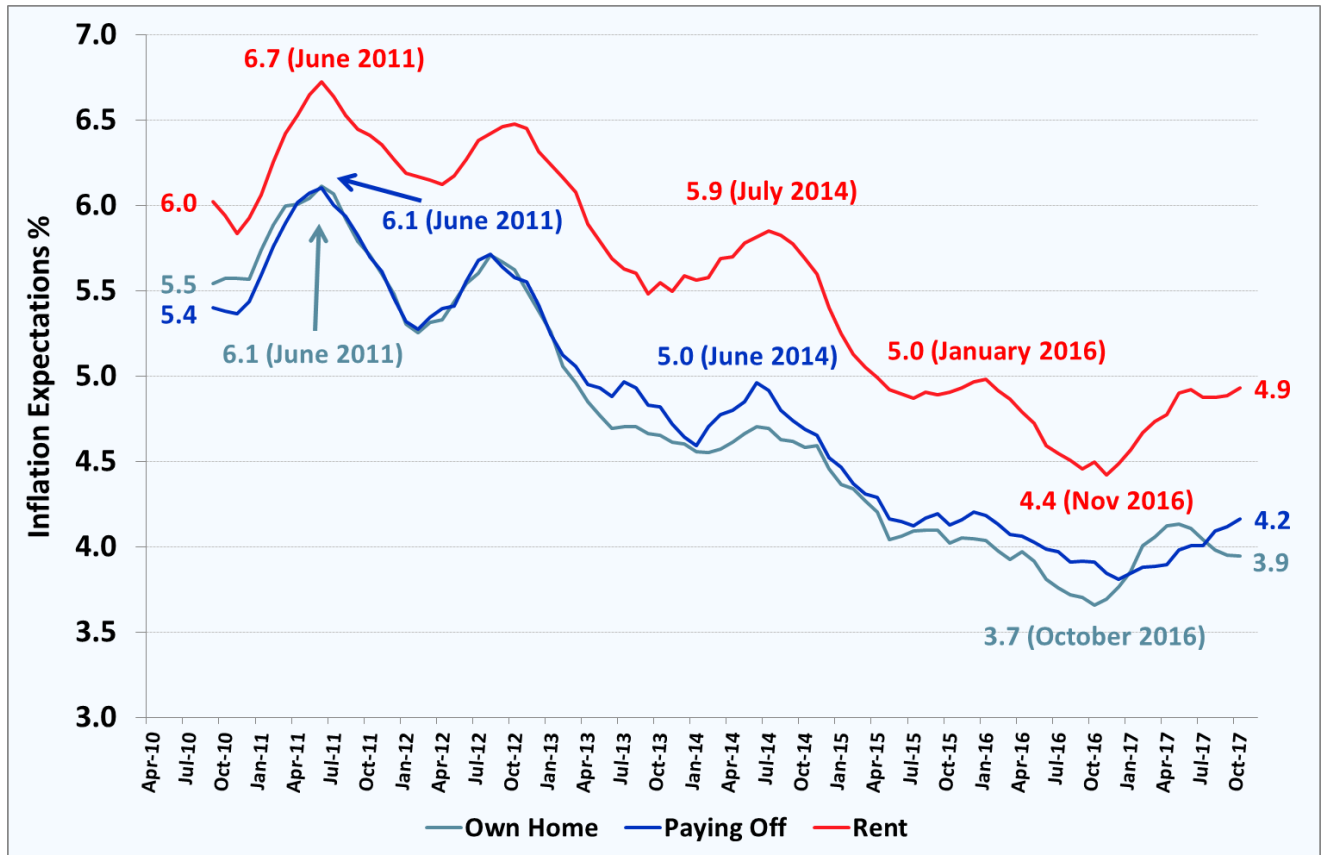
Analysing Inflation Expectations by Home Ownership segment shows it is Renters who have consistently higher Inflation Expectations than either Home Owners or Mortgagors – those currently paying off their homes – although all categories have experienced significant declines in Inflation Expectations since peaking over six years ago in June 2011.

**Renters** have had the highest Inflation Expectations of any home ownership group at every point since this series began more than seven years ago in 2010. Renters Inflation Expectations peaked at a very high 6.7% in June 2011 and since then have dropped in four periods separated by three periods of gentle increases in 2012, 2013-14 and 2015. However, renters Inflation Expectations bottomed at a low of 4.4% in November 2016 a year ago and have since increased consistently over the past year to 4.9% - up to a full percentage point higher than Home Owners or Mortgagors.

**Mortgagors** – those currently paying off their homes – have clearly lower Inflation Expectations than their renting counterparts and have closely tracked the Inflation Expectations of Home Owners over the past seven years. After increasing sharply in 2010-11 to a peak of 6.1% in June 2011 Mortgagor Inflation Expectations have declined with the exception of two periods of increases in 2011-2012 and 2013-2014 until bottoming at 3.8% in December 2016. Mortgagor Inflation Expectations have since increased 0.4% to 4.2%.

**Home Owners** now have the lowest Inflation Expectations of all three groups at 3.9% although over the past seven years Home Owners Inflation Expectations have very closely tracked those of Mortgagors until diverging clearly lower in 2016 to a bottom of 3.7% in October 2016. Over the past year Home Owner Inflation Expectations increased sharply before a recent pullback perhaps reflecting the uncertainty about the state, and future, of the Australian housing market.

### Inflation Expectations by Homeowners, Mortgagors & Renters



**Source:** Roy Morgan Single Source: Interviews with an average of 4,000 Australians per month aged 14+ (April 2010 – October 2017). Graph is based on a 6 month moving average for each category of home ownership measured – Renters, Home owners and Mortgagors paying off their home comprising an average of about 8,000 respondents per category.

**Michele Levine, CEO, Roy Morgan says Australian Inflation Expectations have been on a steady increase in 2017 which is set to be the first year Inflation Expectations have increased in Australia since the peak of the Australian mining boom in 2011:**

*“Roy Morgan Inflation Expectations Index increased 0.1% to 4.5% in October and is up a significant 0.4% over the past year on track for the first rise in yearly Inflation Expectations since the end of the mining boom.*

*“Inflation Expectations are highest in South Australia at 4.9% while Inflation Expectations in the larger States of NSW (4.5%), Victoria (4.6%) and Queensland (4.6%) are close to the national average. Once again it is post-mining boom Western Australia with the lowest Inflation Expectations of any State now at just 4.0%.*

*“Analysing Inflation Expectations by Home Ownership shows it is Renters that have consistently higher Inflation Expectations than either Home Owners or Mortgagees. Since 2010 Renters’ Inflation Expectations have averaged 0.8% higher than either of the other categories.*

*“Roy Morgan data on the buying intentions of the different home ownership groups reveals that a significant 8.5% of Renters (over 500,000 Australians) intend to buy property – whether a house, apartment or land, in the next 12 months compared to 5.2% of Mortgagees and 4.4% of Home Owners.*

*“As Inflation Expectations rise the pressure is likely to grow on the RBA to follow its global peers in the US, Canada and the UK – which have all increased interest rates in 2017, and increase Australian interest rates for the first time since November 2010.*

*“A cycle of interest rate increases in the near future creates both challenges and opportunities for businesses like Mortgage Brokers that connect intending Australian property buyers with the mortgage they need. Rising interest rates threaten to undermine the quantum of mortgages being written in Australia while at the same time incentivising consumers to seek out the best deal they can for a mortgage.*

*“For businesses like Mortgage Brokers it becomes vital to be able to drill down into the Australian consumer marketplace and directly identify the customers most in need of their services – including via the rich psychographic segmentation available via Roy Morgan Helix Personas.”*

This face-to-face Morgan Poll on Australian inflation expectations was conducted during the month of October 2017 with an Australia-wide cross-section of 4,414 Australians aged 14+.

### **Related research findings**

Browse our Online Store for an extensive range of profiles on People who intend to buy a New House, an Established House, an Established Flat/ Apartment/ Unit or Vacant Land and profiles of Australians intending to switch home loans.

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.

### **For further information:**

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## Monthly Roy Morgan Inflation Expectations Index (2010 – 2017)

<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	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	4.6	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			<b>4.4</b>
<b>Monthly Average</b>	<b>5.1</b>	<b>5.0</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

**Overall Roy Morgan Inflation Expectations Average: 5.0**

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?”*

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.

FOR IMMEDIATE RELEASE