

Tuesday, 17 November 2020

Inflation Expectations continue increase from record low in August and are now up to 3.5% in October

In October Australians expected inflation of 3.5% annually over the next two years, up 0.2% points from September and now up 0.3% points on the record low in August. However, Inflation Expectations are still a significant 0.5% points below the pre-pandemic month of March 2020.

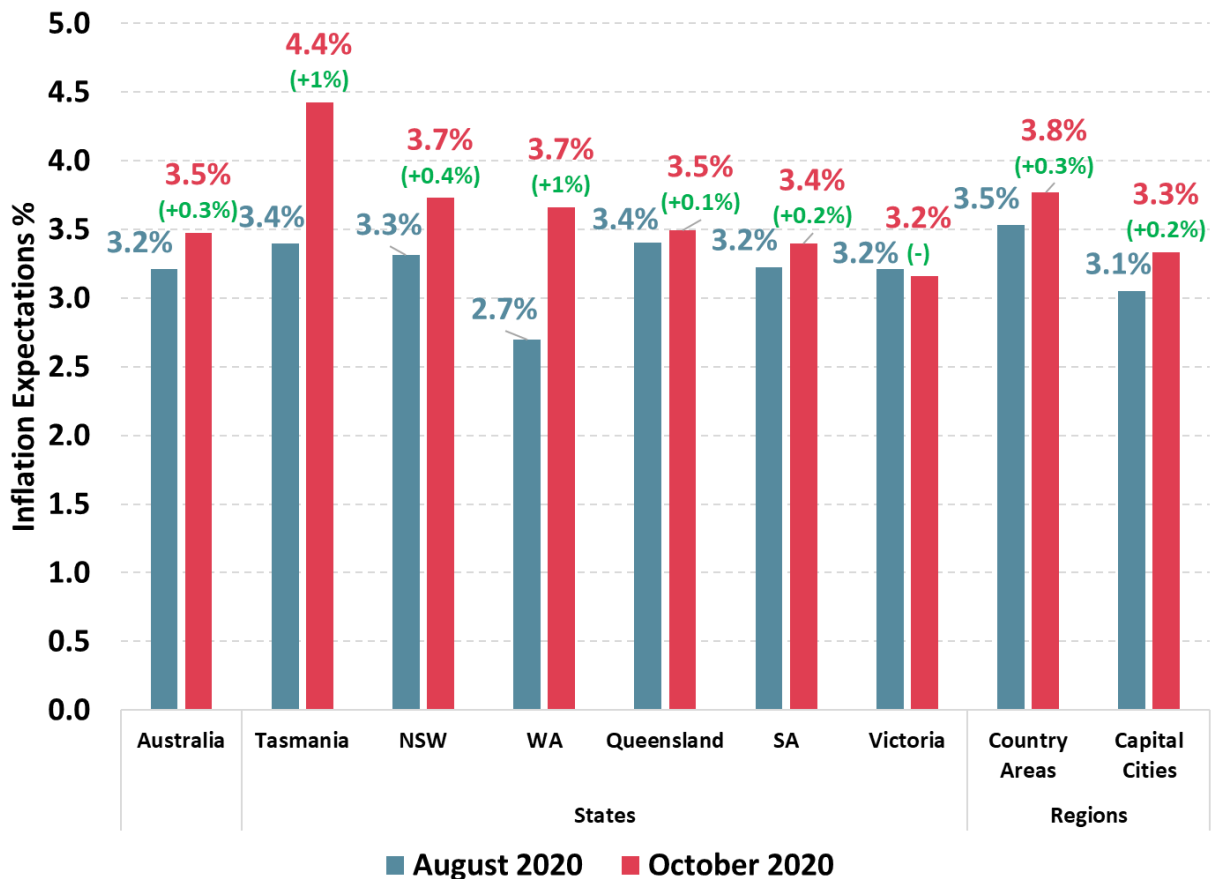
The opening up of Australia continued during October with Victoria finally exiting a 16-week lockdown late in the month and border restrictions between various States being relaxed. Inflation Expectations increased in all States since August except Victoria which has the lowest in the nation at only 3.2% (unchanged).

On a State-based level Inflation Expectations are now highest in Tasmania at 4.4% in October, up 1% point since August ahead of NSW on 3.7% (up 0.4% points) and WA on 3.7% (up 1% point).

Inflation Expectations are in line with the national average in Queensland at 3.5% (up 0.1% points) and just below that in SA at 3.4% (up 0.2% points).

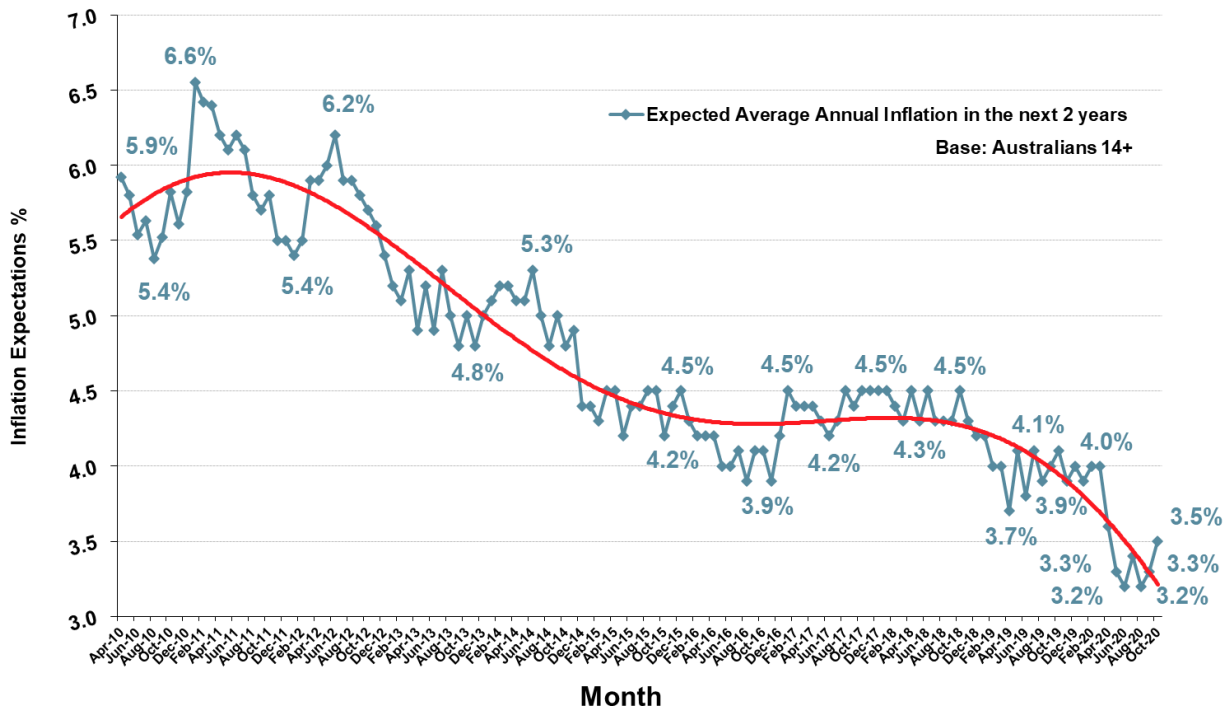
On a regional basis Inflation Expectations are higher, and have increased further since August, in Country Areas and are now at 3.8% (up 0.3% points) compared to 3.3% in Capital Cities (up 0.2% points).

Inflation Expectations by State August 2020 cf. October 2020



Source: Roy Morgan Single Source: August 2020, n=6,119 and Oct. 2020, n=6,136. Base: Australians aged 14+.

Inflation Expectations Index long-term trend – Expected Annual Inflation in next 2 years



Source: Roy Morgan Single Source: Interviews an average of 4,400 Australians per month aged 14+ (April 2010 – Oct. 2020). See below for a comprehensive list of RBA interest rate changes during the time-period charted above.

Roy Morgan CEO Michele Levine says Inflation Expectations in October continued their rebound from the record low in August as border restrictions between States were relaxed and Victoria emerged from a near 4-month lockdown late in the month:

“Inflation Expectations increased 0.2% points to 3.5% in October and are now up 0.3% points since bottoming at a record low of 3.2% in August. The two-month increase is the largest for the Inflation Expectations index for over three years since mid-2017.

“Australia’s success in containing COVID-19 has clearly had a positive impact on consumer sentiment with the [ANZ-Roy Morgan Consumer Confidence Index increasing for ten straight weeks since late August](#) and now in positive territory for the first time since early March.

“In October Inflation Expectations continued higher in all States (except Victoria) led by Tasmania, up 1% point to 4.4%, WA up 1% point to 3.7% and NSW up 0.4% points to 3.7%. Inflation Expectations were lowest in Victoria at only 3.2% although the State remained largely in lockdown during October.

“The news in the last week that COVID-19 vaccines in development have success rates of over 90% suggests the positive momentum should continue in the months ahead as the vaccines move to the final stages of testing and approvals for wider roll-outs in 2021.

“Looking forward Australia is set to enjoy a ‘COVID-Normal Christmas’ and the signs are promising that 2021 will see a sustained return to growth which is vital for the [1 million Australians who have become unemployed or under-employed](#) since lockdowns were enforced in Australia in mid-March.”

Roy Morgan October Inflation Expectations are based on personal interviews with a nationally representative sample of 6,136 Australians aged 14+.

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

Roy Morgan Enquiries

Office: +61 (3) 9224 5309

askroymorgan@roymorgan.com

Related research findings

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.

To learn more about the trends for Inflation Expectations as well as Consumer Confidence for different segments and demographics throughout the Australian community, purchase the [Roy Morgan Consumer Confidence Monthly Report](#).

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) "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 – 2020)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Average
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
2019	4.2	4.0	4.0	3.7	4.1	3.8	4.1	3.9	4.0	4.1	3.9	4.0	4.0
2020	3.9	4.0	4.0	3.6	3.3	3.2	3.4	3.2	3.3	3.5			3.5
Monthly Average	4.8	4.8	4.8	4.8	4.8	4.7	4.8	4.7	4.7	4.7	4.7	4.8	4.8

Overall Roy Morgan Inflation Expectations Average: 4.8

RBA interest rates changes during the time-period measured: 2010-2020.**RBA – Interest rate increasing cycle (2010):****2010**

April 2010: +0.25% to 4.25%; May 2010: +0.25% to 4.75%, November 2010: +0.25% to 5%.

RBA – Interest rate cutting cycle (2011-2013, 2015-2016 & 2019-2020):**2011**

November 2011: -0.25% to 4.5%; December 2011: -0.25% to 4.25%.

2012

May 2012: -0.5% to 3.75%; June 2012: -0.25% to 3.5%; October 2012: -0.25% to 3.25%;
December 2012: -0.25% to 3%.

2013

May 2013: -0.25% to 2.75%; August 2013: -0.25% to 2.5%.

2014

There were no RBA interest rate changes during 2014.

2015

February 2015: -0.25% to 2.25%; May 2015: -0.25% to 2%.

2016

May 2016: -0.25% to 1.75%; August 2016: -0.25% to 1.5%.

2017

There were no RBA interest rate changes during 2017.

2018

There were no RBA interest rate changes during 2018.

2019

June 2019: -0.25% to 1.25%; July 2019: -0.25% to 1%; October 2019: -0.25% to 0.75%.

2020

March 4, 2020: -0.25% to 0.5%, March 20, 2020: -0.25% to 0.25% & November 6, 2020: -0.15% to 0.10%.

About Roy Morgan

Roy Morgan is Australia's largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 75 years' experience 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