

Friday, 12 February 2021

Inflation Expectations unchanged at 3.6% in January - now higher for older generations than younger generations

In January Australians expected inflation of 3.6% annually over the next two years, unchanged on December, but up 0.4% points on the record lows in June and August. However, Inflation Expectations are still 0.3% points below their level of a year ago in January 2020 (3.9%).

Inflation Expectations increased in the closing months of 2020 as Victoria got on top of its second wave of COVID-19 and internal boundaries were relaxed. However, a series of outbreaks of COVID-19 from hotel quarantine facilities in the last few months has tempered expectations of a quick return to normal.

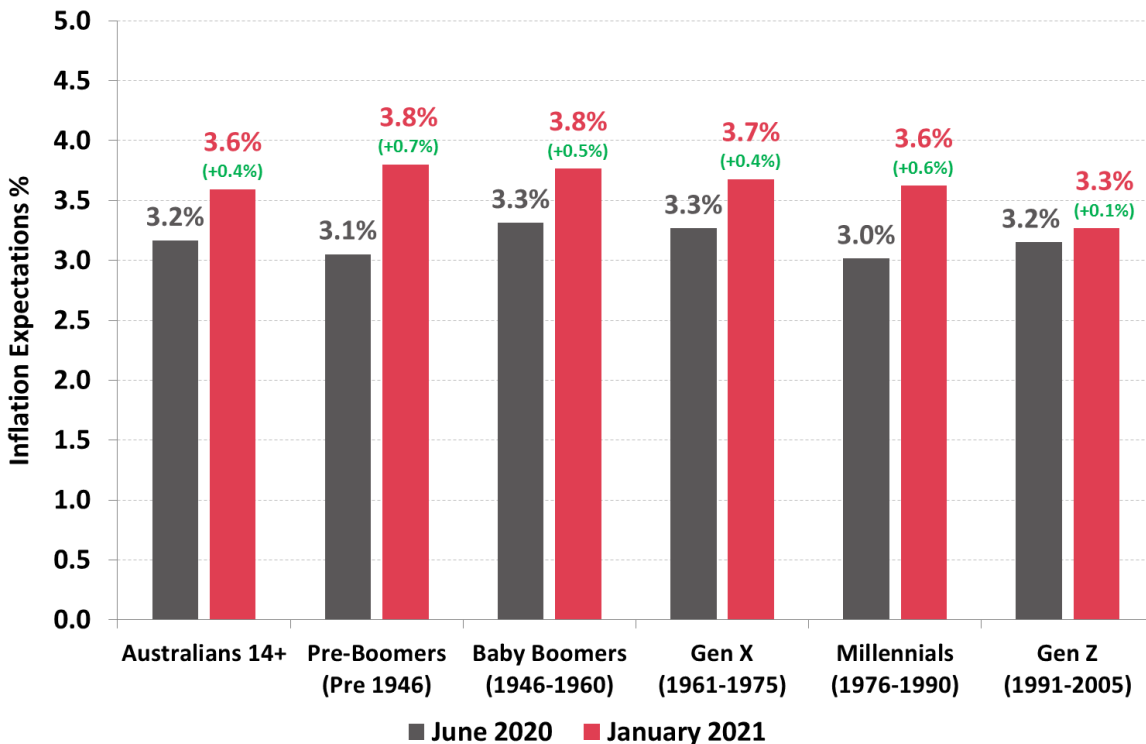
Inflation Expectations at the start of 2021 are heavily correlated to age. Older Australians born before 1946 and known as 'Pre-Boomers' now have the highest Inflation Expectations at 3.8%, and with the biggest increase of 0.7% points since the mid-2020 record lows.

The Baby Boomers, born from 1946-1960 and now entering retirement in large numbers, have similarly high Inflation Expectations at 3.8%, but up a lesser 0.5% points since June 2020.

The bulk of the working age population aged 30-60 and comprised of Gen X (born 1961-1975) and Millennials (born 1976-1990) have Inflation Expectations clustered around the national average at 3.7% for Gen X and 3.6% for Millennials.

It is younger Australians aged under 30 in Gen Z who now have the lowest Inflation Expectations of any generation at only 3.3%, and up only 0.1% points since the low of June 2020.

Inflation Expectations by Generation June 2020 cf. January 2021



Source: Roy Morgan Single Source: Jun. 2020, n=5,767 and Jan. 2021, n=4,545. Base: Australians aged 14+.

FOR IMMEDIATE RELEASE

Inflation Expectations now highest in Tasmania and lowest in South Australia

On a State-based level Inflation Expectations are now highest in Tasmania at 4.5% and have increased in each of the last two months. Despite the increases Inflation Expectations in Tasmania are 0.9% points lower than a year ago in January 2020 – the largest year-over-year decline of any State.

Also with higher than average Inflation Expectations are both Queensland at 3.8% and New South Wales at 3.7%. Inflation Expectations in both of these States increased slightly in January as the border between the two States remained heavily restricted as New South Wales battled to get on top of several outbreaks in the Greater Sydney area. The border re-opened fully at the start of February.

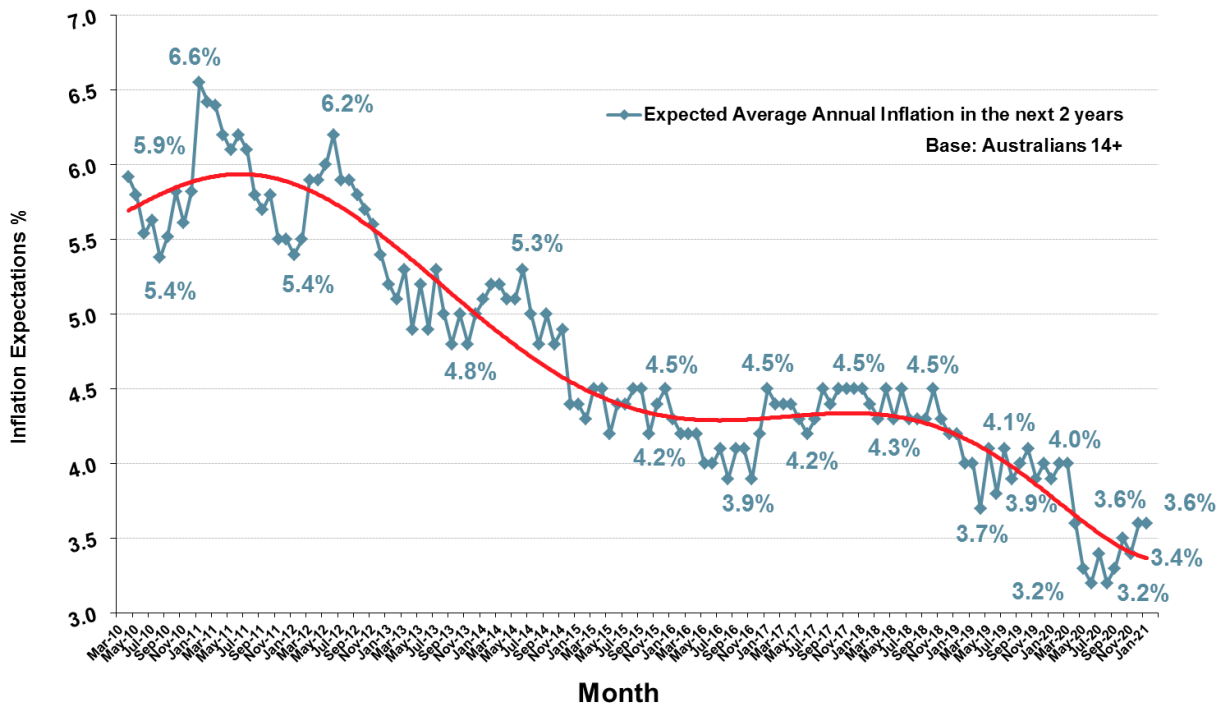
There were three States in which Inflation Expectations fell in January led by Western Australia, down 0.4% points to 3.6%, Victoria, down 0.1% points to 3.5%, and South Australia, down 0.6% points to 3.1%.

Victoria began the month dealing with a breakout of COVID-19 at a Melbourne restaurant while Western Australia had its first case of community transmission at the end of January prompting the State’s first lockdown for over eight months since April 2020.

The constantly changing situation led to significant border closures and re-openings throughout the month although the good news is [Consumer Confidence peaked at 112.1 right at the end of the month on January 30/31, 2021](#) indicating Australians are becoming increasingly confident.

On a regional basis Inflation Expectations are higher in Country Areas and are now at 3.9% (up 0.1% points since December) compared to 3.5% (down 0.1% points) in Capital Cities.

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



Source: Roy Morgan Single Source: Interviews an average of 4,500 Australians aged 14+ per month (April 2010 – Jan. 2021).

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 are unchanged in January at 3.6% as Australia battled multiple outbreaks of COVID-19 and the associated lockdowns and border closures halted the upward momentum in the index:

“Inflation Expectations were unchanged at 3.6% in January, up 0.4% points from the record lows of 3.2% in June 2020 and August 2020, but still down 0.4% points on a year ago.

“The increases in Inflation Expectations seen in the last few months are expected to continue during 2021 as Australia opens up and begins a large-scale vaccination program in the next few weeks. Prime Minister Scott Morrison has forecast that every Australian who wants a vaccine will have the chance to get one by October 2021 at the latest.

“However, the experience of the last few months illustrates there is still a long way to go in what is increasingly seen as a stop-start process. New outbreaks in Brisbane, Perth, Sydney and Melbourne over the summer months have seen border restrictions re-instated at a moment’s notice and in some cities short and sharp lockdowns have also been back on the agenda.

“These strong actions to keep COVID-19 under control also cause uncertainty for people and businesses and are set to continue throughout much of 2021 before enough Australians can be vaccinated. A [special Roy Morgan Snap SMS Poll in late January](#) showed 79% of Australians are willing to be vaccinated when a vaccine becomes publicly available.

“Interestingly when we look at Inflation Expectations by Generation it shows a heavy correlation to age. Older generations including Pre-Boomers (born before 1946) and Baby Boomers (born 1946-1960) have the highest Inflation Expectations at 3.8% in January – and both up strongly since the middle months of 2020.

“In contrast it is Gen Z with Inflation Expectations of only 3.3% that is clearly the lowest and well below the national average. Gen Z are those Australians born from 1991-2005 and are now aged in their teens and 20s.

“Gen Z has been hardest hit by job losses in tourism and hospitality businesses in particular over the last year and with the end of the JobKeeper wage subsidy at the end of next month there is considerable uncertainty for many about their employment prospects in the next few months. Given this context it is understandable that Australians in this age cohort do not expect high levels of inflation over the next two years.”

The data for the Inflation Expectations series is drawn from the Roy Morgan Single Source which has interviewed an average of 4,500 Australians aged 14+ per month over the last decade from April 2010 – January 2021 and includes interviews with 4,545 Australians aged 14+ in January 2021.

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

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The Roy Morgan Consumer Confidence Report – Including Inflation Expectations

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](#)

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.



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 – 2021)

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	3.4	3.6	3.5
2021	3.6												3.6
Monthly Average	4.7	4.8	4.8	4.8	4.8	4.7	4.8	4.7	4.7	4.7	4.7	4.6	4.7

Overall Roy Morgan Inflation Expectations Average: 4.7

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%.

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

