

Thursday, 4 March 2021

## Inflation Expectations increase to 3.7% in February – higher in Country Regions than Capital Cities

In February Australians expected inflation of 3.7% annually over the next two years, up 0.1% points on January, and the highest since February and March 2020 (4.0% for both). Inflation Expectations are now 1% point below their long-term average of 4.7%.

Inflation Expectations have now increased by 0.5% points in the last six months, the fastest increase for the index since late 2016/early 2017 when the index increased by 0.6% points in only two months.

The continued increases in Inflation Expectations bode well for a strong GDP result for the March quarter 2021. Australia has just notched up two consecutive quarters of growth above 3% of GDP during the [September \(+3.4%\) and December quarters \(+3.1%\) of 2020](#) – the first time this has ever happened.

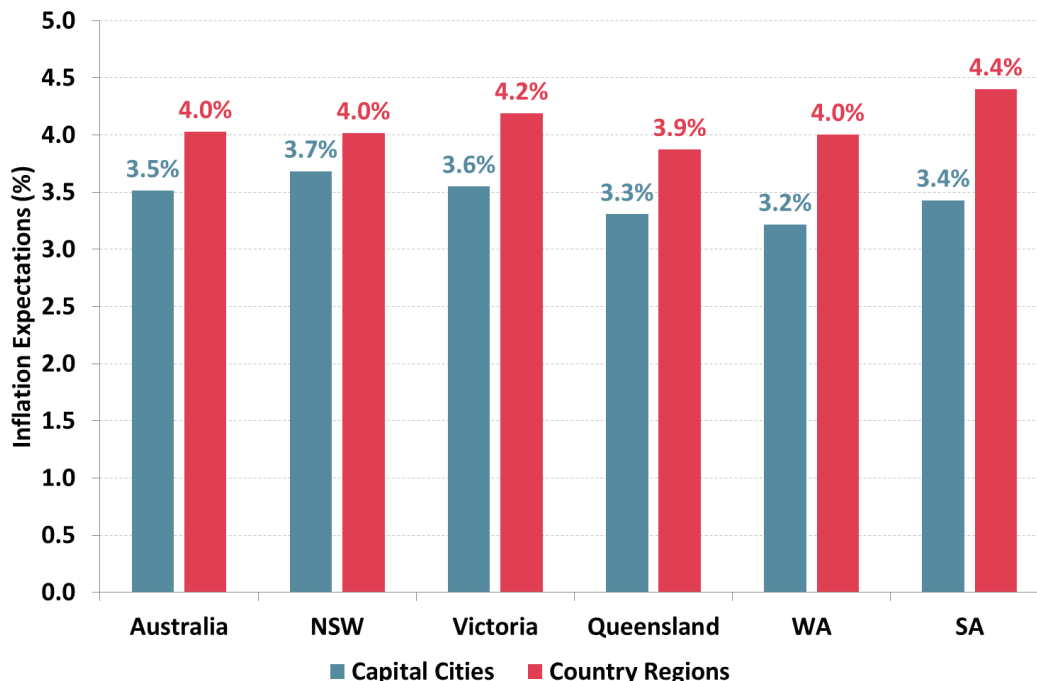
Inflation Expectations are higher in Country Regions of Australia (4%) than in the Capital Cities (3.5%) and this is borne out in each mainland State. The largest gap of 1% point is within South Australia with Inflation Expectations of 4.4% in Country SA (the highest figure for any area) compared to only 3.4% in Adelaide.

The next largest gap of 0.8% points is within Western Australia with Inflation Expectations of 4% in Country WA compared to only 3.2% in Perth – the lowest figure for any Capital City.

In both Victoria and Queensland there is a gap of 0.6% points between Country Regions and the respective Capital Cities. Inflation Expectations are 4.2% in Country Victoria compared to 3.6% in Melbourne and 3.9% in Country Queensland compared to only 3.3% in Brisbane.

The smallest gap of only 0.3% points between the two areas is in NSW. Country NSW has Inflation Expectations of 4% compared to 3.7% in Sydney and in-line with the national average.

### Inflation Expectations by Capital Cities & Country Regions: February 2021



Source: Roy Morgan Single Source: February 2021, n=6,034. Base: Australians aged 14+.

**Inflation Expectations now highest in Tasmania and NSW, lowest in Western Australia**

On a State-based level Inflation Expectations are now highest in Tasmania at 3.8%, an increase of 0.4% points since the low-point of August 2020 and level with NSW also on 3.8%, up 0.5% points.

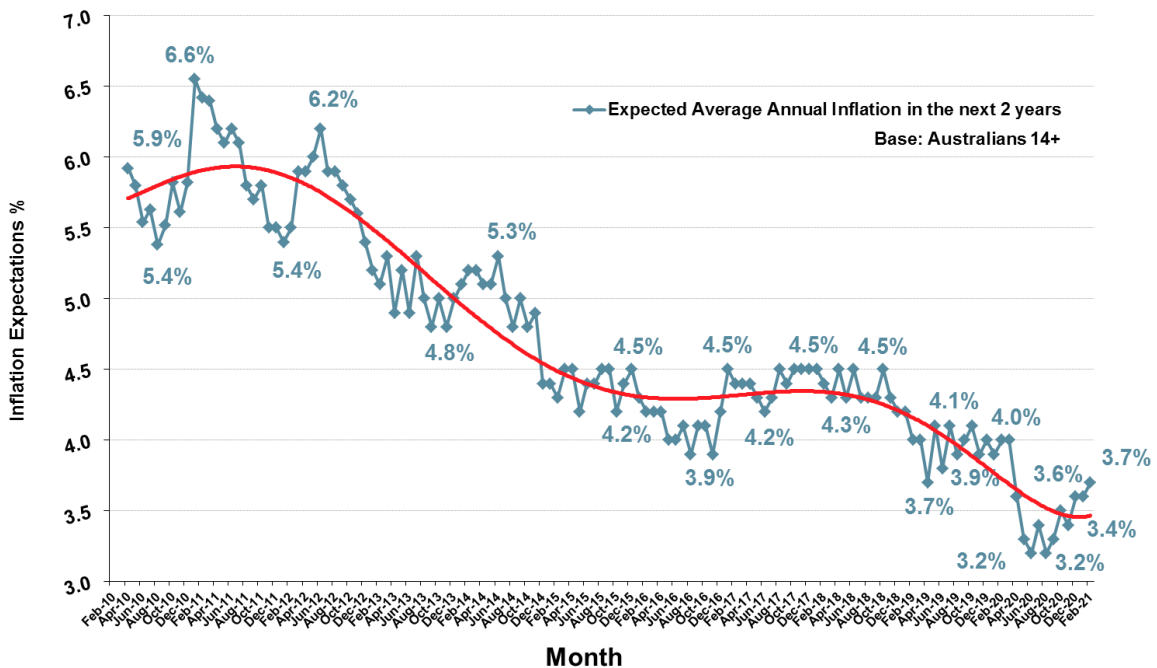
Inflation Expectations in Victoria are in-line with the national figure at 3.7%, up 0.5% points since August 2020. Just below the national figure are both Queensland 3.6% (up 0.2% points) and South Australia 3.6% (up 0.4% points).

Similarly to its Capital City Perth it is Western Australia which has the lowest Inflation Expectations of any State in February at only 3.4%, despite the largest increase by 0.7% points since August 2020.

As well as increasing Inflation Expectations the [ANZ-Roy Morgan Consumer Confidence Rating has continued to recover and was at 110.6 for the month of February 2021](#), an increase of 21.5pts (+24.1%) since August 2020.

Consumer Confidence for February was the highest monthly figure for the rating since the month of November 2019 (111.2) more than a year ago.

**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 – Feb. 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 have increased again in February and are now up in four out of the last six months by a total of 0.5% points to 3.7%:**

*“Inflation Expectations continued their march upwards in February despite two five-day lockdowns in Perth and surrounding areas (February 1-5) and Victoria (February 13-17). The index has now increased by 0.5% points to 3.7% since August 2020, the largest increase since rising by 0.6% points in only a few months in late 2016/early 2017.*

*“The increasing confidence in the Australian economy is also reflected in the latest [Roy Morgan Business Confidence – now at 120.8 in February 2021](#), an increase of 37.7pts (+45.4%) since a low of 83.1 in August 2020 and the highest monthly [ANZ-Roy Morgan Consumer Confidence Rating \(110.6 in February 2021\)](#) for 15 months since November 2019 (111.2).*

*“This week marked the release of the latest [Australian GDP figures for the December quarter 2020 showing quarterly GDP growth of 3.1%](#) following growth of 3.4% in the September quarter 2020. The economic recovery followed a record 7% GDP decline in the June quarter 2020 as the entire country went into lockdown to halt the spread of COVID-19.*

*“Looking at the States we see a consistent pattern with Inflation Expectations higher in Country Regions of Australia than in the Capital Cities. Nationally the gap is 0.5% points between Country Regions (4%) and Capital Cities (3.5%).*

*“The gap is as large as 1% point in South Australia (Country SA 4.4% cf. Adelaide 3.4%) and 0.8% points in Western Australia (Country WA 4% cf. Perth 3.2%) and is smallest in NSW at only 0.3% points (Country NSW 4% cf. Sydney 3.7%).*

*“Australia’s Capital Cities have been hit hard by COVID-19 and the associated lockdowns. [Public transport usage which is largely concentrated in the Capital Cities plummeted from 11.8 million in the December quarter 2019](#) to a low of only 6.9 million in the September quarter 2020 and had only recovered to 7.8 million by the final quarter of 2020 – still down 4 million on a year earlier.*

*“In addition the phenomenon of ‘working from home’ which has been widespread over the last year has meant millions of Australians have been absent from their office jobs in the Capital City CBDs. In January [Roy Morgan’s movement figures compiled with UberMedia](#) showed movement in Melbourne CBD down 72% on a year earlier and down 66% on a year earlier in the Sydney CBD.*

*“As the recovery continues during 2021 and increasing numbers of Australians receive a COVID19 vaccine it will be important to track whether the large gap in Inflation Expectations between Capital Cities and Country Regions continues.”*

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 – February 2021 and includes interviews with 6,034 Australians aged 14+ in February 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	n/a	n/a	n/a	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	3.7											3.7
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

