

Monday, 1 November 2021

## Inflation Expectations jump 0.3% points to 4.8% in October; highest for seven years since November 2014

In October 2021 Australians expected inflation of 4.8% annually over the next two years, up 0.3% points, and the highest Inflation Expectations for seven years since November 2014. Inflation Expectations are now a large 1.3% points higher than a year ago in October 2020 (3.5%).

Inflation Expectations are now 0.1% points above the long-term average of 4.7%, the first time the measure has been above the long-term average for more than nine years since June 2012.

### Inflation Expectations for Women are over 1% point higher than for men

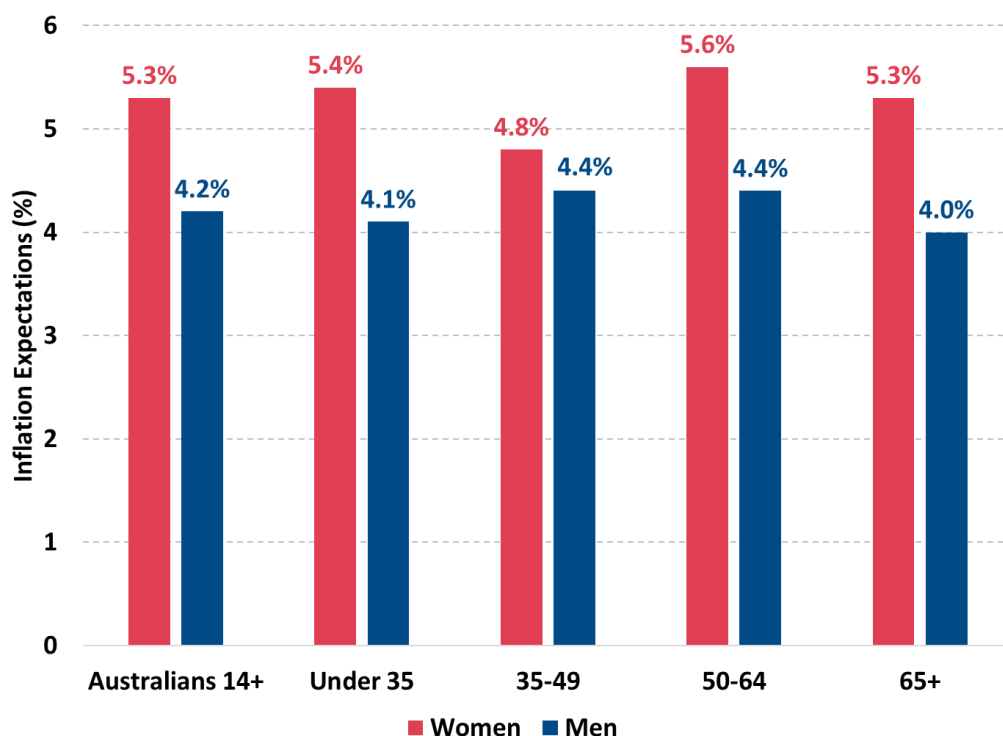
A look at Inflation Expectations by Gender and Age shows the gap between women and men is persisting and has widened slightly in recent months. Women's Inflation Expectations are at 5.3% in October 2021 compared to 4.2% for men.

Inflation Expectations are highest for people aged 50-64 at 5.6%. Women in this age group have Inflation Expectations of 5.6% compared to only 4.4% for men – a difference of 1.2% points.

There is also a large 'Gender Gap' of 1.3% points for people at either end of the age spectrum. For people aged under 35 women have Inflation Expectations of 5.4% compared to 4.1% for men and those aged 65+ women's Inflation Expectations are 5.3% compared to 4.0% for men.

The only exception to this trend is for people aged 35-49 who have Inflation Expectations of 4.6% - the lowest of any age group. In this group the 'Gender Gap' is only 0.4% with women's Inflation Expectations of 4.8% slightly higher than that for men of 4.4%.

### Inflation Expectations by Gender & Age: October 2021



Source: Roy Morgan Single Source: October 2021, n=7,542. Base: Australians 14+.

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**Inflation Expectations are higher in Country Areas than Capital Cities and highest in Queensland**

Country Areas traditionally have higher Inflation Expectations than the Capital Cities and this trend is borne out in the figures from October. Inflation Expectations for Country Areas are at 5.1% compared to 4.6% for Capital Cities.

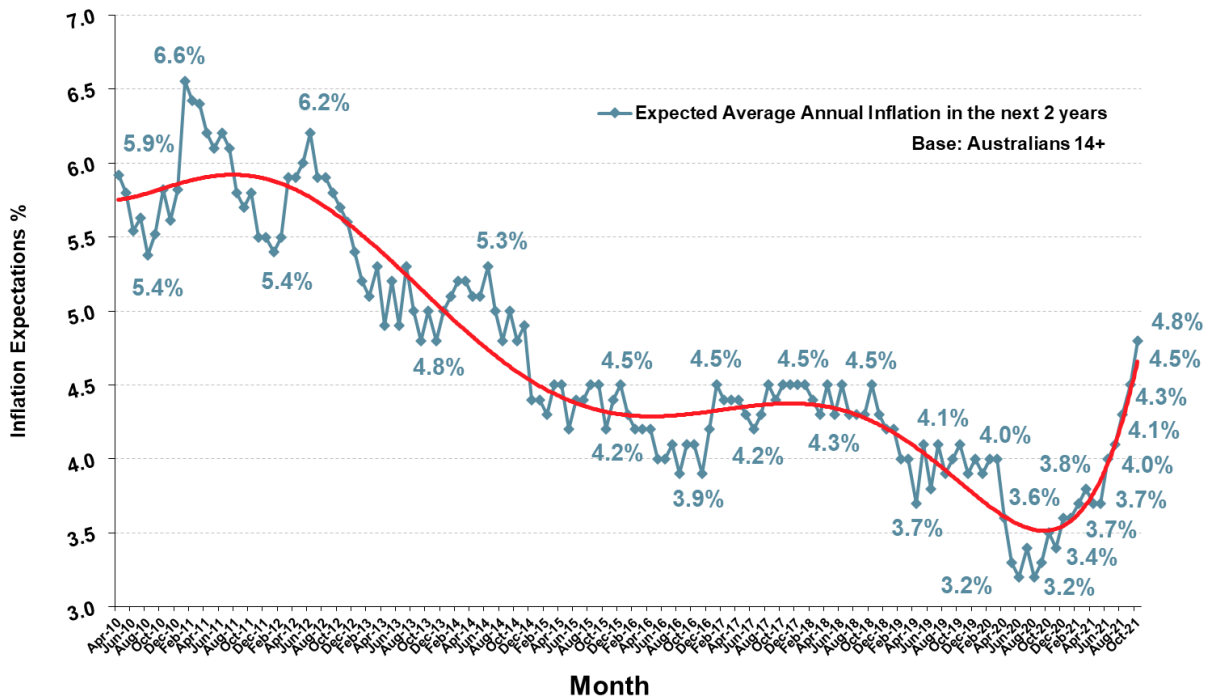
On a State-based level Inflation Expectations are highest and well above the national average in Queensland at 5.2%, a State with more people living in regional areas than the capital city of Brisbane.

Inflation Expectations are in line with the national average in both Victoria and Tasmania at 4.8% and slightly below the national average in South Australia at 4.7% and NSW at 4.6%.

The outlier this month is Western Australia which has the lowest Inflation Expectations of only 4.4%. Western Australia is the only State that has yet to outline a timetable for re-opening with Premier Mark McGowan stating the WA borders will reopen ‘sometime in the first half of next year’.

The [ANZ-Roy Morgan Consumer Confidence Rating for October was at 104.9, an increase of 8.3pts \(+8.6%\) from October 2020](#) a year ago. The latest Consumer Confidence figure for October 23/24, 2021 was at 106.8 as the measure has continued to increase through the month.

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



Source: Roy Morgan Single Source: Interviewing an average of 4,600 Australians aged 14+ per month (April 2010-Oct. 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 in Australia have increased for an unprecedented fifth month in a row, up 0.3% points to 4.8% - highest since November 2014:**

*“Inflation Expectations have increased rapidly over the last year and are now up 1.6% points since August 2020 (14 months ago) – increasing at a rate faster than 0.1% points per month. This is the largest cycle of increases in the history of the index, easily beating an increase of 1.2% points during the ‘Mining Boom’ in 2010-11 (from 5.4% in August 2010 to 6.6% in January 2011).*

*“There are several factors driving the increase in Inflation Expectations which are related to the emergence from the COVID-19 pandemic which provided a huge negative impact on economic growth in 2020-21. There is every reason to suspect the measure will continue to increase over the next few months heading into 2022 as these factors continue to impact the Australian economy.*

*“The transition to ‘COVID-normal’ in Australia is being driven by high vaccination rates and the lowering of restrictions as we see lockdowns end in Sydney, Melbourne and Canberra and domestic border restrictions are set to end in several States over the next seven weeks.*

*“The increased demand has been driven not only by the emergence from COVID-19 restrictions but also the ability to spend the savings built up during the pandemic. The Federal Government pumped hundreds of billions of dollars of stimulus money into the economy to prevent a crash over the last two years to support people in financial difficulties who may have been forced out of work.*

*“The barriers to people spending this money are finally being removed in Australia, and in other countries around the world, and this is driving a surge in spending, and demand. The surge in demand is running up against supply constraints from exporting countries such as China and this pressure is stressing the supply chain and forcing prices to increase.*

*“Another factor at play is the impact the early stages of the pandemic had on investment in energy infrastructure. The lack of investment in oil and gas exploration and development during 2020 when the global economy ‘crashed’ is having a continuing impact now as energy shortages – particularly in Europe and China – are increasing energy costs worldwide.*

*“The impact of rising energy costs is being felt most directly at the petrol pump with prices in Australia at record highs: [\\$1.70 per litre \(Sydney\)](#), [\\$1.75 per litre \(Melbourne\)](#) and [\\$1.77 per litre \(Brisbane\)](#). October was a month of transition as the long lockdowns in Sydney, Melbourne and Canberra ended and as travel picks up with restrictions ending there is set to be more upward pressure on demand, and prices, over the months ahead.”*

The data for the Inflation Expectations series is drawn from the Roy Morgan Single Source which has interviewed an average of 4,600 Australians aged 14+ per month over the last decade from April 2010 – October 2021 and includes interviews with 7,542 Australians aged 14+ in October 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 79 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)

<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>
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	3.8	3.7	3.7	4.0	4.1	4.3	4.5	4.8			4.0
Monthly Average	4.7	4.8	4.7	4.7	4.7	4.7	4.7	4.6	4.7	4.7	4.7	4.6	4.7

Overall Roy Morgan Inflation Expectations Average: 4.7

#### 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

**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%.