

Discover your *edge*

Friday, 22 December 2017

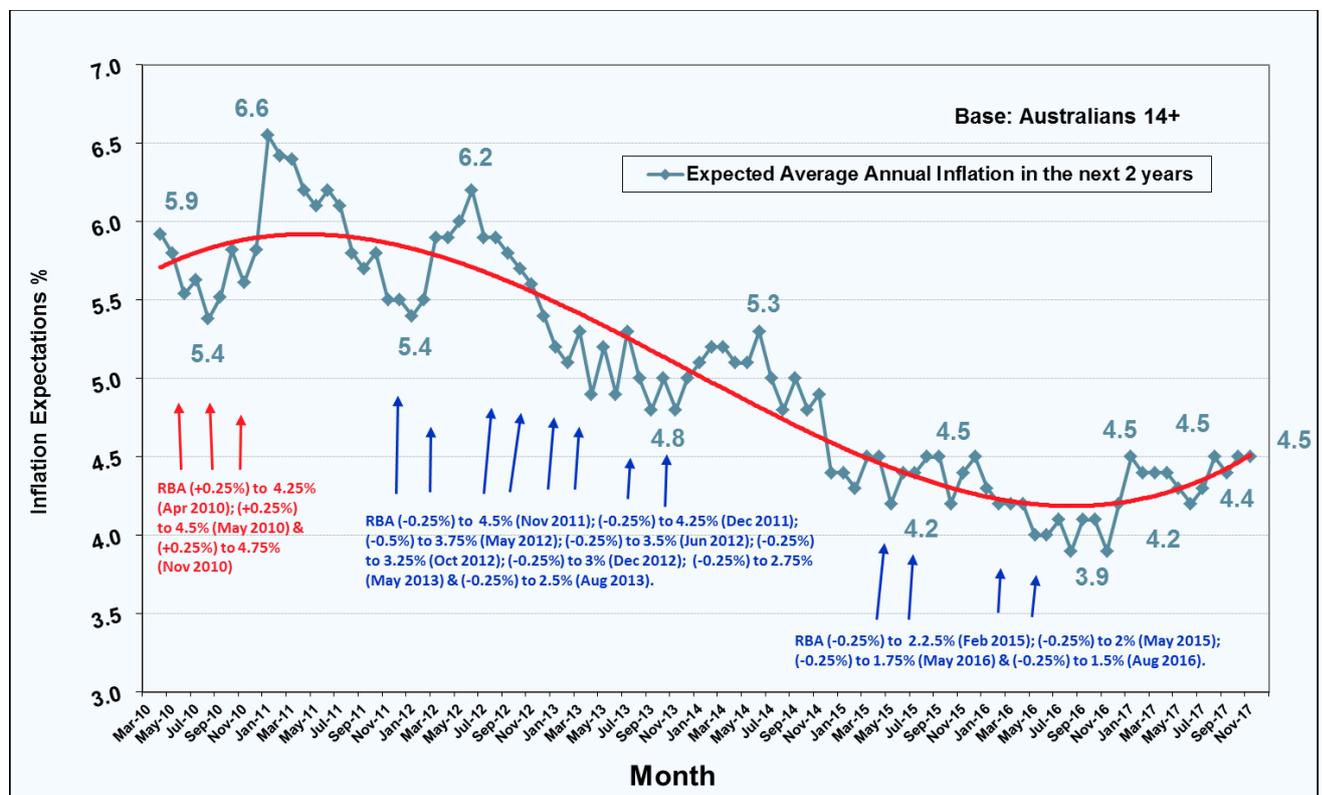
Inflation Expectations higher than last year - driven by unemployed

In November Australians expected inflation of 4.5% per year over the next two years. This is unchanged in a month although up a significant 0.6% from a year ago in November 2016.

Over the past year the significant increase in Inflation Expectations has been driven by the unemployed more than any other employment status with unemployed Australians now expecting inflation of 5.9% over the next two years compared to only 3.8% a year ago. More details below.

Despite the increases in 2017 Inflation Expectations remain well below the seven year average of 5.0% and are based on a face-to-face survey of 4,160 Australians aged 14+ interviewed in November.

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 – November 2017).

Inflation Expectations highest in Queensland in November

Analysis by State shows Inflation expectations highest in Queensland at 4.8% (Queenslanders narrowly re-elected the ALP Government of Premier Anastacia Palaszczuk for a second term in November) followed by Victoria (4.7%), South Australia and Tasmania (both 4.6%). In contrast Inflation Expectations are well below the national average of 4.5% in Western Australia (4.2%) and NSW (4.1%).

Inflation Expectations of L-NP & ALP supporters both down in November

Analysing Inflation expectations by Federal voting intention shows ALP supporters (4.3%) have higher inflation expectations than L-NP supporters (3.9%) and both fell in November. Supporters of the Greens (4.4%) were just below the national average and as is consistently the case it is supporters of Independents/ Others that have the highest Inflation expectations at 5.1%.

Unemployed & Under-employed Australians perceive higher inflation than Employed

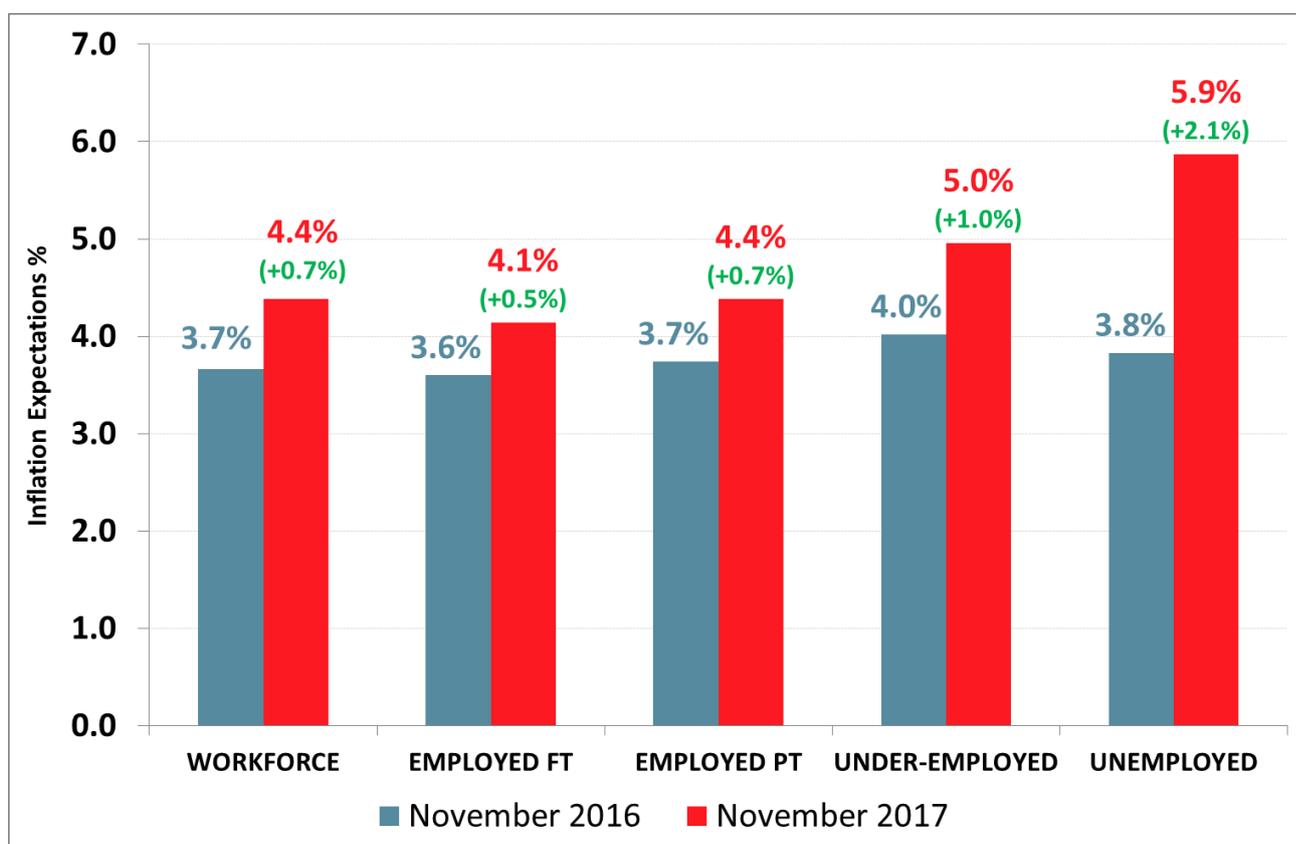
Analysing Inflation Expectations by employment status reveals whether Australians are employed full-time or part-time, are under-employed which is employed part-time but looking for more work, or are unemployed. Inflation Expectations have noticeably increased over the past 12 months.

Inflation Expectations for the workforce as a whole are now at 4.4%, up 0.7% from a year ago and just below Inflation Expectations for all Australians aged 14+ at 4.5%.

Driving this increase in terms of the workforce were unemployed Australians who now have Inflation Expectations of 5.9% - up a significant 2.1% from a year ago and now clearly higher than other employment categories while under-employed Australians now have Inflation Expectations of 5.0%, up an even 1% since November last year.

In contrast, Australians employed part-time have Inflation Expectations of 4.4% (up 0.7%) and now equal to the overall workforce whereas it is Australians working full-time who have the lowest Inflation Expectations of only 4.1% and up only 0.5% from a year ago.

Inflation Expectations by Employment Status (November 2016 v November 2017)



Source: Roy Morgan Single Source interviews with 2,320 Australians in the workforce aged 14+ in November 2016 and 2,452 Australians in the workforce aged 14+ in November 2017.

The results clearly indicate that over the past year it is Australians that are out of work – the unemployed, or working in a part-time or casual role but looking to work more hours or full-time – the under-employed who have felt most significantly impacted by rising prices – much more so than a year ago when the differences between the different employment categories were significantly smaller.

Analysing Australians not in the workforce also shows increases over the past year although not to the same degree as the unemployed – Inflation Expectations of retired Australians have increased to 4.2%, up from 3.8%, students' Inflation Expectations have increased to 4.9%, up from 4.6% and those on home duties now have Inflation Expectations of 5.3% up from 5.1% a year ago.

Michele Levine, CEO, Roy Morgan says analysing the breakdown in Australian Inflation Expectations shows Australians that are looking for jobs, or new jobs – the unemployed and under-employed, are most acutely aware of the impact of rising prices:

“Roy Morgan Inflation Expectations were unchanged at 4.5% in November, but when compared to a year ago Inflation Expectations are up a considerable 0.6% - the equal biggest annual rise in the index since 2011 at the height of the mining boom.

“A closer look at Inflation Expectations in the Australian workforce – which includes those employed and also those looking for work – the unemployed, but not those who may be retired, studying, or simply not working and not looking for work, reveals the increases are not spread evenly across different employment categories.

“A year ago the Inflation expectations of Australians employed full-time (3.6% in November 2016), part-time (3.7%), under-employed (4.0%) and unemployed (3.8%) were tightly clustered together however they have diverged considerably since then.

“Now unemployed Australians expect inflation of a high 5.9% per year over the next two years – up a stunning 2.1% in the last 12 months while under-employed Australians now expect inflation of 5.0% per year over the next two years – up an even 1%.

“In contrast, Australians employed full-time expect inflation of 4.1% per year over the next two years, up only 0.5%, while Australians employed part-time expect inflation of 4.4%, up 0.7%.

“Unfortunately unemployed and under-employed Australians are least capable of dealing with rising inflation, and the increasing interest rates that often follow. This sensitivity to price movements explains why unemployed and under-employed Australians keep a keen eye on prices and are more likely to notice increase in prices than those with a steady income.

“Australians facing increasing inflation will be forced to reassess their spending habits – including what they spend their money on – regardless of their employment status. For retailers looking to capture increased market share it’s important to know who their customers are and [Roy Morgan Helix Personas](#) allows extensive and detailed psychographic segmentation of communities around Australia to better target marketing and advertising.”

This face-to-face Morgan Poll on Australian inflation expectations was conducted during the month of November 2017 with an Australia-wide cross-section of 4,160 Australians aged 14+.

Related research findings

Browse our Online Store for an extensive range of profiles on Australians who are [employed](#), [employed full-time](#), [employed part-time](#), [under-employed](#) and [unemployed](#).

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.

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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>
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	4.6	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		4.4
Monthly Average	5.1	5.0	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	4.9	5.0	5.0

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