

Thursday, 16 September 2021

Inflation Expectations up 0.2% points to 4.3% in August; highest for nearly three years since November 2018

In August 2021 Australians expected inflation of 4.3% annually over the next two years, up 0.2% points and the highest Inflation Expectations for nearly three years since November 2018. Inflation Expectations are now up 1.1% points since the pandemic low of 3.2% a year ago in August 2020.

Inflation Expectations are still 0.4% points below their long-term average of 4.7% but are now 0.8% points higher than the 2020 monthly average of 3.5%.

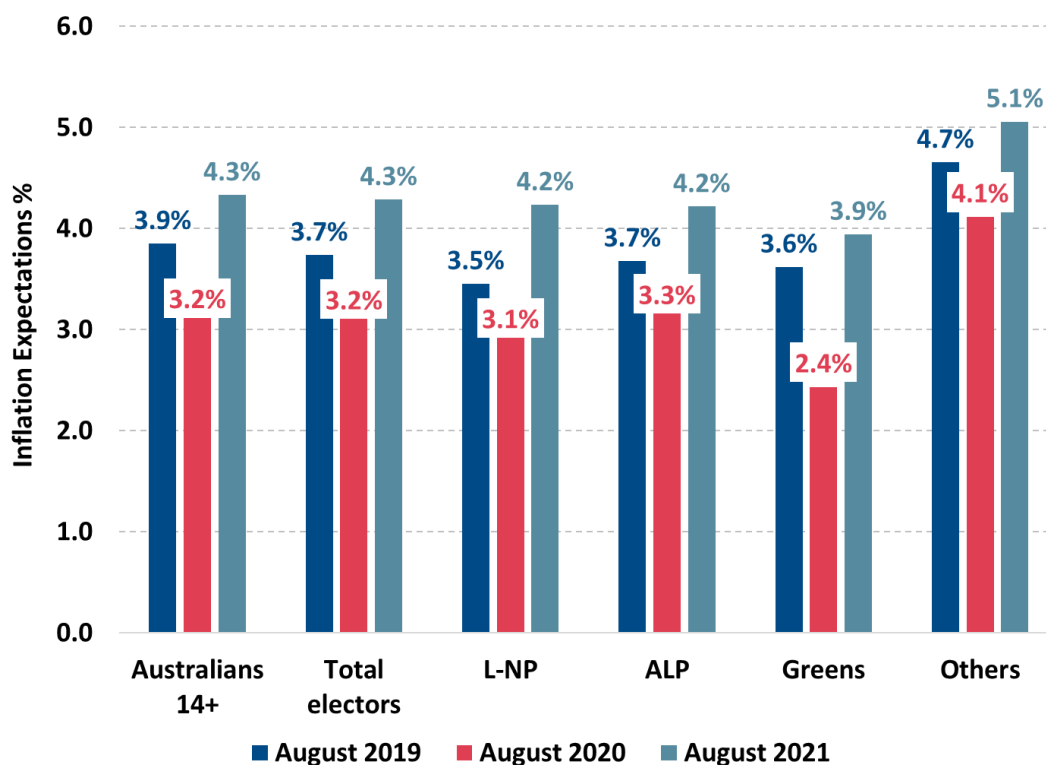
Inflation Expectations are up the most for L-NP and Greens supporters from a year ago

A look at Inflation Expectations by Federal Voting Intention shows big increases across the board from a year ago, and up significantly from two years ago prior to the COVID-19 pandemic.

Inflation Expectations for L-NP supporters increased 1.1% points from a year ago to 4.2% in August and are now 0.7% points higher than two years ago in August 2019. In fact, the Inflation Expectations of L-NP supporters are now at their highest for nearly seven years since November 2014.

The Inflation Expectations of Greens supporters have increased faster than any other over the last year and are up 1.5% points to 3.9% - but are still lower than supporters of all other parties. The Inflation Expectations for ALP supporters are at 4.2% in August, up 0.9% points from a year ago and now 0.5% points higher than two years ago in August 2019.

Inflation Expectations by Federal Voting Intention: August 2019 cf. August 2020 cf. August 2021



Source: Roy Morgan Single Source: August 2019, n=3,988, August 2020, n=6,119; August 2021, n=5,948.

Base: Australian electors 18+.

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Inflation Expectations are again highest in Queensland and Tasmania and lowest in SA and WA

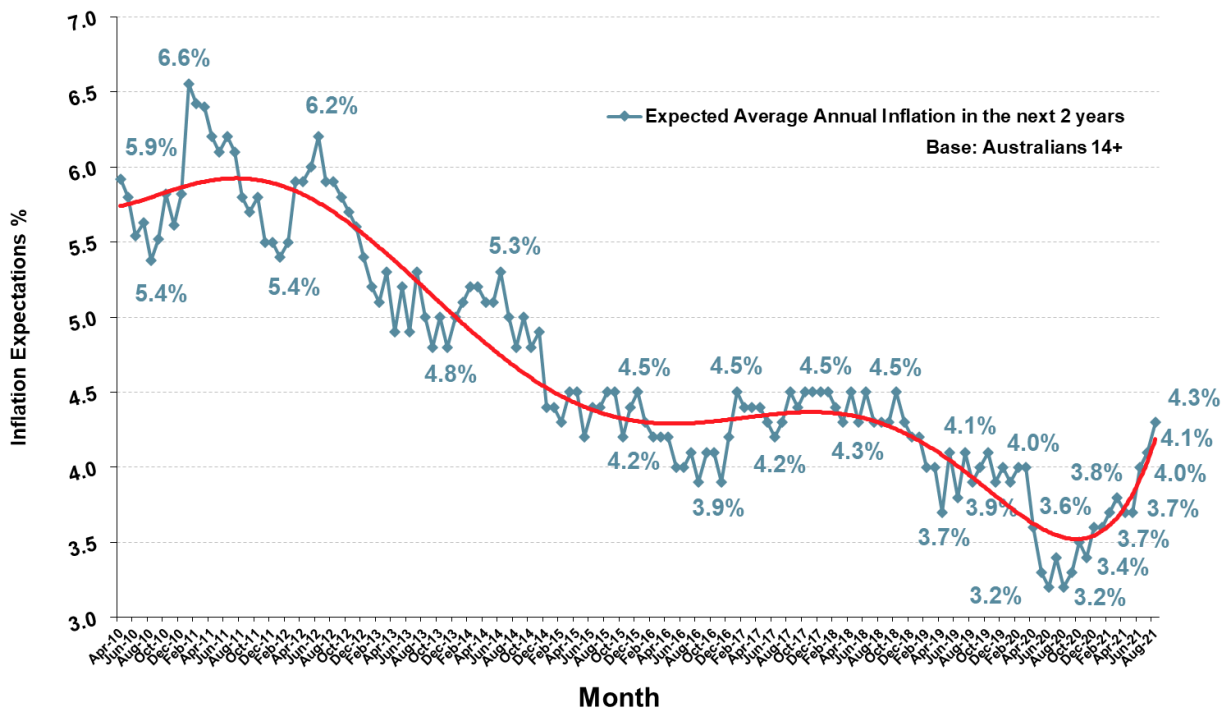
On a State-based level Inflation Expectations are highest and well above the national average in both Tasmania at 4.7% and Queensland at 4.5%.

Inflation Expectations are slightly higher than the national average in New South Wales at 4.4% and are at their highest for well over three years since February 2018. Inflation Expectations in Victoria are in-line with the national average at 4.3% and their highest since November 2018.

Slightly below the national average are South Australia and Western Australia which have Inflation Expectations of 4.1% in August. Despite being lower than the other States this is the highest Inflation Expectations have been in either State for over two years since mid-2019.

The [ANZ-Roy Morgan Consumer Confidence Rating for August was at 100.6, an increase of 11.5pts \(+12.9%\) from August 2020](#) a year ago. The latest Consumer Confidence figure for the second week of September has improved to 103.1 after the NSW Government announced plans to re-open Greater Sydney in mid-late October as levels of vaccination in Australia continue to increase rapidly.

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



Source: Roy Morgan Single Source: Interviewing an average of 4,500 Australians aged 14+ per month (April 2010-August 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 increased to 4.3% in August to be at their highest for nearly three years since November 2018, and are now up for three months in a row for the first time since early 2014:

“Inflation Expectations increased by 0.2% points to 4.3% in August and are up 1.1% points from the low-point reached a year ago in August 2020 (3.2%). The steady increase in Inflation Expectations has continued over the last three months despite over 15 million Australians being in lockdown throughout the month of August.

“The increase in Inflation Expectations over the last year is the largest increase in the measure for a decade since increasing by 1.2% points in 2010-11 during the height of the ‘Mining Boom’. The increase has been across a range of categories but there are certain groups which are seeing faster increases than others.

“As we head towards a Federal Election early in 2022 the views of electors on the state of the economy will clearly play an important role in determining which party wins the election as we enter a period dubbed by many as ‘COVID-normal’.

“Over the last year Inflation Expectations have increased strongly across the political spectrum led by those of L-NP supporters which increased by 1.1% points to 4.2% – and are now at their highest since November 2014. The Inflation Expectations of ALP supporters are also at 4.2%, an increase of 0.9% points from a year ago.

“However, there is a clear divergence in the views of Greens supporters who have the lowest Inflation Expectations at only 3.9%, although this is an increase of 1.5% points from a year ago, and supporters of Other parties who have easily the highest Inflation Expectations at 5.1%, up 1% point from August 2020.

“The trend for Inflation Expectations is clearly upward despite the lockdowns most Australians have experienced over the last few months. If Inflation Expectations continue to rise at the current rate over the next six-to-nine months, the increasing prices will be a serious issue as we approach next year’s Federal Election due by May 2022.

“One of the more interesting trends to emerge over the last year is that the Inflation Expectations of L-NP supporters are currently rising at a faster ‘clip’ than for ALP supporters. Over the last eight years, during the current L-NP Government, the Inflation Expectations of ALP supporters have consistently been 0.5-0.6% higher than L-NP supporters – but that gap has now disappeared.”

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 – August 2021 and includes interviews with 5,948 Australians aged 14+ in August 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					3.9
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%.