

Tuesday, 21 April 2020

## Inflation expectations down significantly in mid-April

**In mid-April there was a jolt to Australian Inflation Expectations with a steep fall in the weekly index on April 18/19, 2020 to a record low of only 3.1%, down from 3.8% the week before and significantly below the 2020 weekly average of 4%.**

The weekly fall was caused by fewer Australians expecting prices to increase over the next two years down to 69.4% (down 1.4% on a week ago) and more expecting prices to either decrease – up 1% to 10.8% or ‘Stay the same’ – up 0.4% to 19.8%.

Roy Morgan CEO Michele Levine says the steep drop in Inflation Expectations in mid-April comes as the impact of the COVID-19 pandemic begins to hit key pricing metrics in the economy:

*“The COVID-19 pandemic has provided the biggest economic shock to Australians for generations, since at least World War II eighty years ago. This week’s steep fall in Inflation Expectations to a record low of only 3.1% comes as petrol prices around Australia have plummeted to multi-decade lows.*

*“Petrol prices, and the oil price more generally, are often seen as the barometer of the global economy and when these decline this signals weakness in the broader economy. The drop in petrol prices in Australia to under \$1 per litre is the lowest price many Australians have seen at the bowser since the early 2000s around two decades ago.*

*“It is no surprise a much lower petrol price is occurring and Inflation Expectations are also dropping in tandem. Looking more broadly at the wider oil market one would expect further declines in petrol prices at the pump in the weeks and months to come.*

*“The restrictions imposed on movement as part of the global efforts to halt the spread of COVID-19 have seen an estimated decline in the daily demand for oil of 20-30 million barrels per day – a drop of 20-30%. The drop in demand has not yet been matched by a drop in the supply of oil. Over-night oil contract prices for May cratered and fell up to 300% as prices for oil went sharply negative due to a lack of storage space for the oil. Producers are now willingly paying others to take their oil off their hands.*

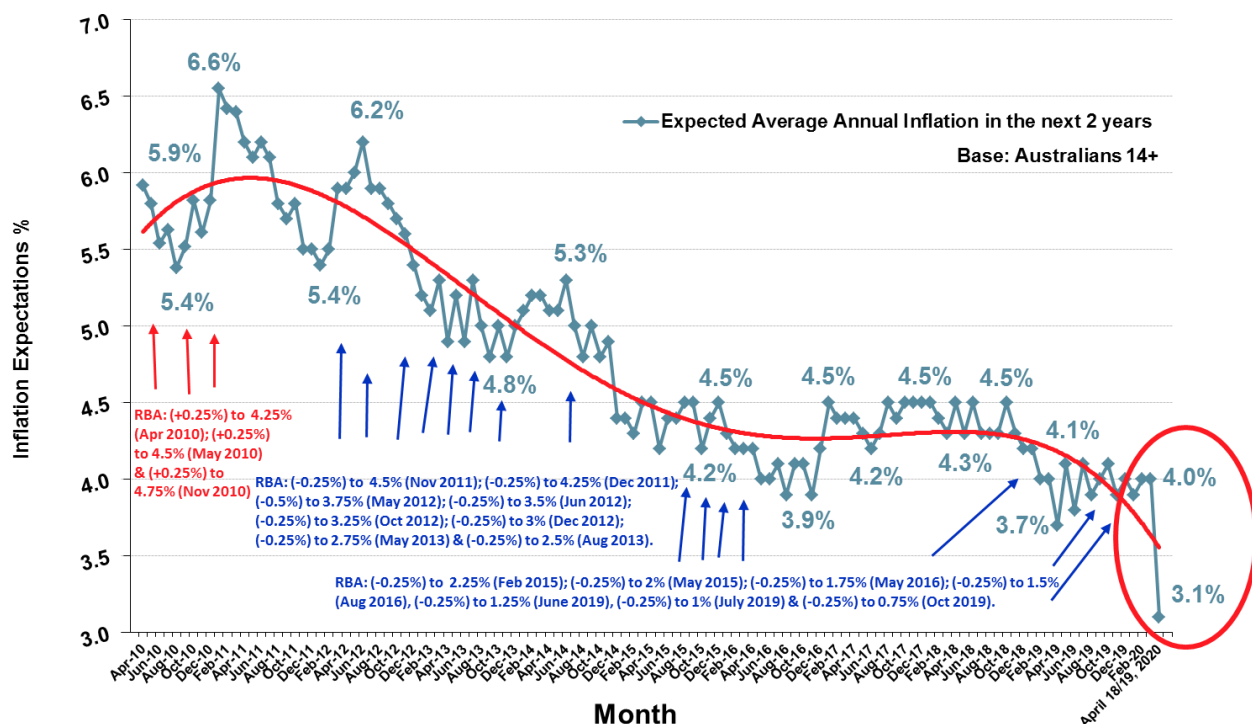
*“The lower petrol prices, together with the Federal Government’s \$130 billion ‘JobKeeper’ wage subsidy, should provide a further boost to the [ANZ-Roy Morgan Consumer Confidence Rating](#) as a progressive re-opening of the Australian economy begins as soon as next month. The weekly measure has already increased by nearly 30% to 84.2 since hitting a low of 65.3 on March 28/29, 2020.”*

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](#).

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

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



Source: Roy Morgan Single Source: Interview s an average of 4,300 Australians per month aged 14+ (Apr. 2010 – Apr. 2020).

### Related research findings

Visit the Roy Morgan Online Store for a comprehensive range of profiles on Australians and their voting preferences for political parties including the [Liberal Party](#), [National Party](#), [ALP](#), [Greens](#) and supporters of [Independents/Others](#).

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.

### 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.

### 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

**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 – 2020)**

<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>
<b>2010</b>	<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	<b>5.7</b>
<b>2011</b>	6.6	6.4	6.4	6.2	6.1	6.2	6.1	5.8	5.7	5.8	5.5	5.5	<b>6.0</b>
<b>2012</b>	5.4	5.5	5.9	5.9	6.0	6.2	5.9	5.9	5.8	5.7	5.6	5.4	<b>5.8</b>
<b>2013</b>	5.2	5.1	5.3	4.9	5.2	4.9	5.3	5.0	4.8	4.9	4.8	5.0	<b>5.0</b>
<b>2014</b>	5.1	5.2	5.2	5.1	5.1	5.3	5.0	4.8	5.0	4.8	4.9	4.4	<b>5.0</b>
<b>2015</b>	4.4	4.3	4.5	4.5	4.2	4.4	4.4	4.5	4.5	4.2	4.4	4.5	<b>4.5</b>
<b>2016</b>	4.3	4.2	4.2	4.2	4.0	4.0	4.1	3.9	4.1	4.1	3.9	4.2	<b>4.1</b>
<b>2017</b>	4.5	4.4	4.4	4.4	4.3	4.2	4.3	4.5	4.4	4.5	4.5	4.5	<b>4.4</b>
<b>2018</b>	4.5	4.4	4.3	4.5	4.3	4.5	4.3	4.3	4.3	4.5	4.3	4.2	<b>4.4</b>
<b>2019</b>	4.2	4.0	4.0	3.7	4.1	3.8	4.1	3.9	4.0	4.1	3.9	4.0	<b>4.0</b>
<b>2020</b>	3.9	4.0	4.0										<b>4.0</b>
<b>Monthly Average</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>	<b>4.8</b>

**Overall Roy Morgan Inflation Expectations Average: 4.8**