

Monday, 14 December 2020

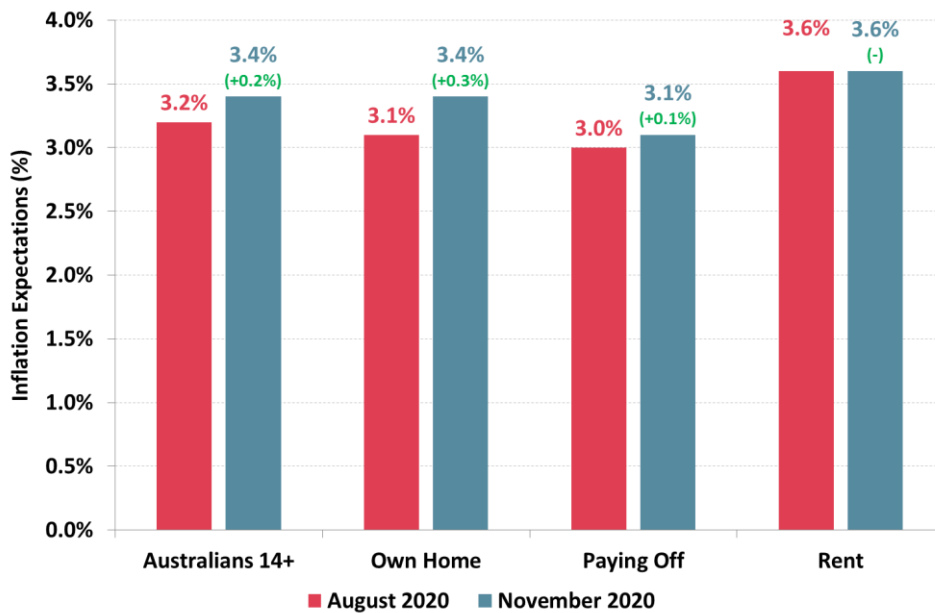
Inflation Expectations at 3.4% in November

In November Australians expected inflation of 3.4% annually over the next two years, down 0.1% points from October but still up 0.2% points on the record low in August. Inflation Expectations are still a significant 0.6% points below the pre-pandemic month of March 2020.

Over the last few months Inflation Expectations have increased from their record low of 3.2% and when assessed by home ownership status the drive higher has come from Australian home owners who now expect inflation of 3.4% annually over the next two years – up 0.3% points since August.

In this comparison Australians who are paying off their home now have the lowest Inflation Expectations at 3.1%, up only 0.1% points since August, while Australians who are renting again have the highest Inflation Expectations at 3.6%, but this is unchanged since August.

Inflation Expectations by Home Ownership Status August 2020 cf. November 2020



Source: Roy Morgan Single Source: Aug. 2020, n=6,119 and Nov. 2020, n=6,082. **Base:** Australians aged 14+.

Victorian Inflation Expectations up in November as 'Lockdown 2.0' finally ends

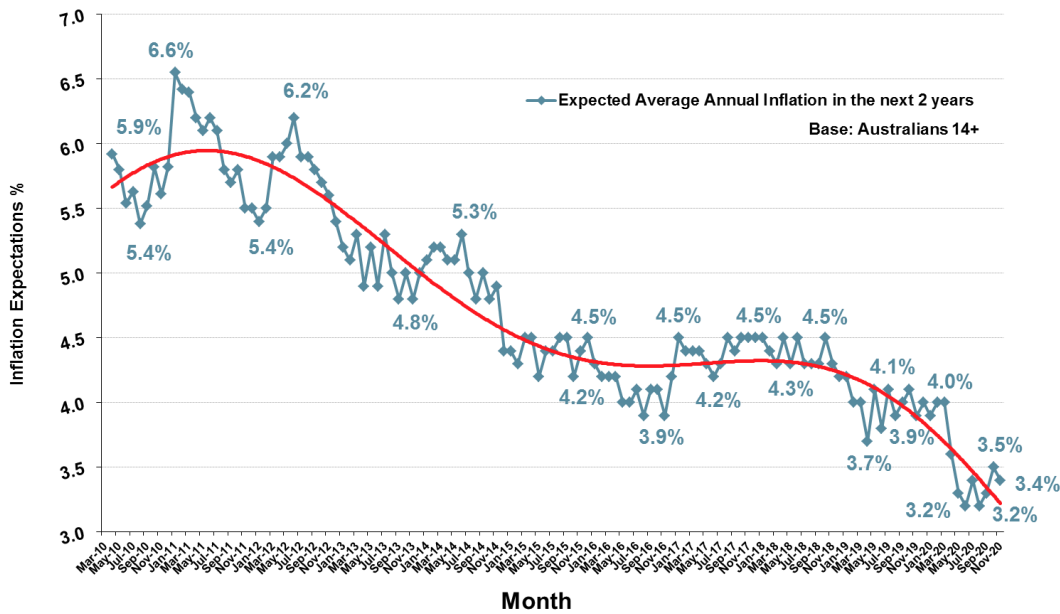
The opening up of Australia continued during November with border restrictions between states coming down throughout the month and Victoria fully out of lockdown in late October. Perhaps unsurprisingly, the biggest increase in Inflation Expectations for November was in Victoria, up 0.2% points to 3.4%.

On a State-based level Inflation Expectations are now highest in WA at 3.6% (down 0.1% point), SA at 3.6% (up 0.2% points) and Queensland at 3.5% (unchanged) - all above the national average.

Inflation Expectations are below the national average in New South Wales at 3.2% (down 0.5% points) and Tasmania at 3.3% (down 1.1% points).

On a regional basis Inflation Expectations are higher in Country Areas and are now at 3.6% (down 0.2% points) compared to 3.3% in Capital Cities (unchanged).

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



Source: Roy Morgan Single Source: Interviews an average of 4,400 Australians aged 14+ per month (April 2010 – Nov. 2020).

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 November are at 3.4%, down slightly on October but up 0.2% points since the record low in August and are being driven higher by Australian home owners:

"Inflation Expectations were at 3.4% in November, down 0.1% points from October (3.5%), but up 0.2% points from the record low of 3.2% in August as Australia continues to open up with borders between Western Australia and the Eastern States of NSW and Victoria finally coming down after being closed for more than 8 months.

"Analysing the recovery in Inflation Expectations over the last few months by home ownership status reveals the increases are being driven by Australian home owners who comprise just over a third of the population. Inflation Expectations for this group have increased by 0.3% points since August to now sit at the national average at 3.4%.

"This contrasts heavily with renters for whom Inflation Expectations are still higher at 3.6%, but have not changed since August in the early weeks and months of the recovery from COVID-19.

"This leaves Australians who are paying off their homes with the lowest Inflation Expectations of the three groups at only 3.1%, up only 0.1% points since August. This is not that surprising when considering the RBA cut Australian interest rates to a record low of only 0.1% in early November and this will have reduced the mortgage repayments for this group during the month.

"The strong ABS growth estimates for the September quarter showing quarterly GDP growth of 3.3% provide solid proof the Australian economy is well into the recovery mode – and these estimates are supported by the strong increases in [ANZ-Roy Morgan Consumer Confidence – up 19.1pts \(+21.2%\) to 109.3 since late August](#). The re-opening of Victoria in late October is also set to provide a further boost to growth in the current quarter and the lead-up to Christmas."

The data for the Inflation Expectations series is drawn from the Roy Morgan Single Source which has interviewed an average of 4,400 Australians aged 14+ per month over the last decade from April 2010 – November 2020 and includes interviews with 6,082 Australians aged 14+ in November 2020.

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

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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>
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	4.5	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		3.5
Monthly Average	4.8	4.8	4.8	4.8	4.8	4.7	4.8	4.7	4.7	4.7	4.7	4.8	4.8

Overall Roy Morgan Inflation Expectations Average: 4.7

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](#).

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%.

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