

Friday, 10 July 2020

## Inflation Expectations down to new record low in June of 3.2%

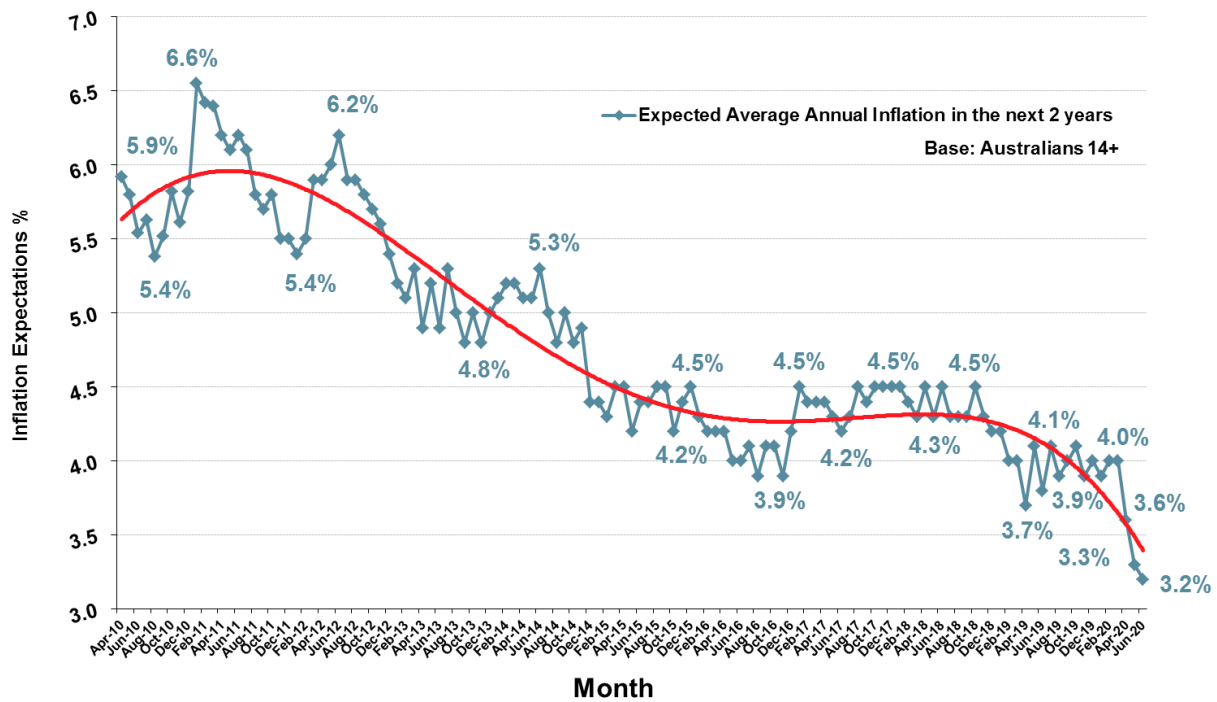
In June Australians expected inflation of 3.2% annually over the next two years. This result signified a new record low for the index – down 0.1% points on May and a significant 0.8% points on the pre-COVID period of February 2020.

Inflation Expectations have declined around the nation, however the magnitude of the drop has been far larger in some places than others – notably Melbourne where Inflation Expectations have dropped 0.9% points since February to only 2.8% in June.

The biggest decline has been in Tasmania, down from 4.9% in February to 2.9% in June, a drop of 2% points as Hobart’s formerly hot housing market has cooled during the COVID-19 pandemic.

Adelaide experienced the least change, with Inflation Expectations of 3.7% in June down only 0.1% points since February while expectations in Brisbane, Sydney and Perth are down by 0.5-0.6%.

### 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 per month aged 14+ (May 2010 – June 2020).

Roy Morgan CEO Michele Levine says the rapid decline in Inflation Expectations in recent months is a sign of ongoing economic weakness as Australia experiences its first recession for three decades:

*“Australian Inflation Expectations continued their decline in June, down 0.1% points from May to a new record low of only 3.2%. The result came as Treasurer Josh Frydenberg confirmed in June Australia was in its first recession since the early 1990s.*

*“The sharpest declines have been in Melbourne and Tasmania. The Victorian capital has experienced a spike in new cases of COVID-19 since mid-June and in response restrictions have been tightened*

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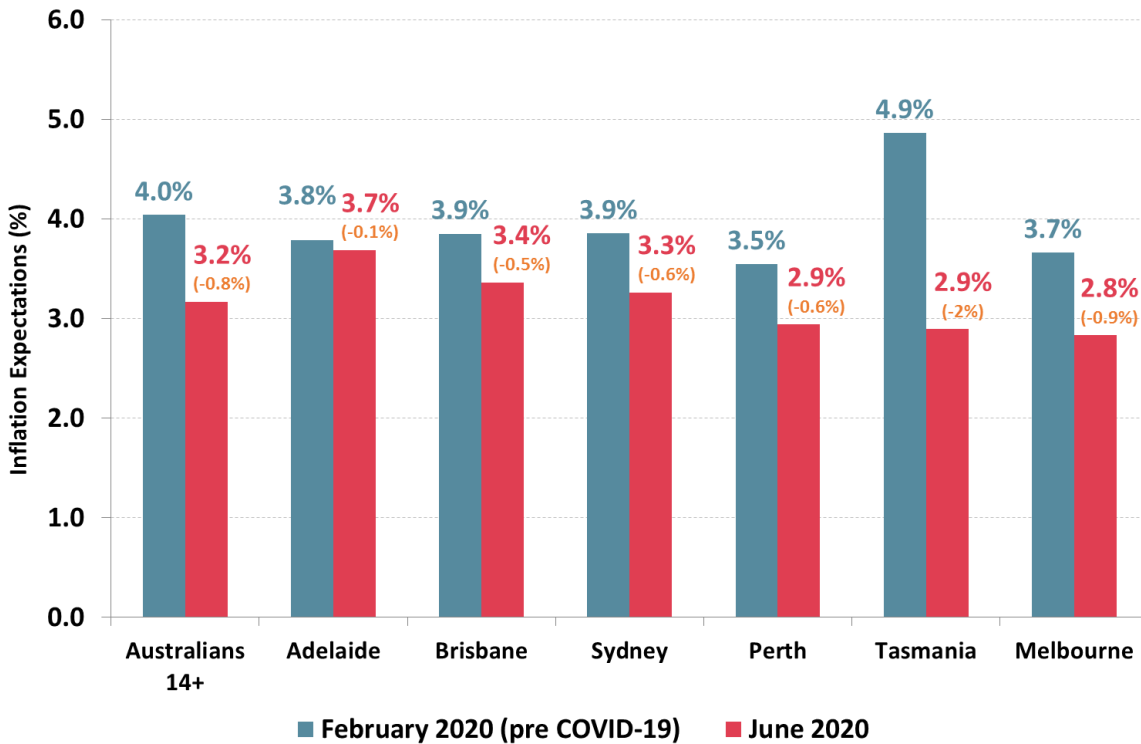
progressively, with the Melbourne metropolitan area returned to a Stage 3 lockdown this week. The renewed restrictions will place a great deal of pressure on businesses that have already endured more than three months of turnover well below normal levels.

“The surge in new cases in Melbourne has also led to the Tasmanian Government extending its State of Emergency until the end of August – Tasmania’s economic dependence on Victorian businesses and tourists is larger than for any of the other mainland states. The island border remains closed to visitors until at least late July.

“Although most parts of Australia appear to have flattened the curve and suppressed COVID-19 to almost negligible levels ([of Australia’s known 886 Active Cases on July 9 – 860 \(97%\) are in Victoria](#)), the renewed outbreak in Victoria also provides a stark warning to other jurisdictions about remaining vigilant.

“The situation in Victoria clearly illustrates that the consequences of another nationwide outbreak would be devastating to businesses and the fragile economic recovery already underway. All efforts must be undertaken to prevent this from happening.”

**Inflation Expectations by Capital City February 2020 cf. June 2020**



Source: Roy Morgan Single Source: February 2020, n=4,075 and June 2020, n=5,767. Base: Australians aged 14+.

See below for a comprehensive list of RBA interest rate changes during the time period charted above.

Roy Morgan June Inflation Expectations are based on personal interviews with a nationally representative sample of 5,767 Australians aged 14+.

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

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At a State based level people in South Australia (3.5%), New South Wales (3.4%) and Queensland (3.3%) have the highest Inflation Expectations over the next two years. People in Western Australia (3.0%), Victoria (2.9%) and Tasmania (2.9%) have Inflation Expectations slightly below the national average and those in the ACT have the lowest expectations of price increases of all, at only 2.2%.

### Related research findings

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.

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 75 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 – 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	3.6	3.3	3.2							<b>3.7</b>
<b>Monthly Average</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.7</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**

**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%.

**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