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Inflation expectations are a key measure in uncertain times

Research firm Roy Morgan has been tracking Australians' Inflation Expectations for many years. It's a way of 'reading the national room' when it comes to how the population is feeling about the economy. The findings provide useful insights at any time but right now, with the entire country trying to navigate uncharted waters, it's a key measure, says Roy Morgan CEO Michele Levine.

"At present no one knows how long the threat of COVID-19 will force a major shutdown of activity across the Australian economy, but there has already been a massive jump in the number unemployed Australians as Government actions force the closure of so many businesses."

"The Roy Morgan Inflation Expectations Index measures what Australians think will be the trajectory of prices over the next two years. During this period, where these unemployment increases are accompanied by hundreds of billions of dollars in fiscal stimulus and support packages from the Government, it provides a very important metric to track how Australians are dealing with these competing economic forces."

The Index is produced monthly and in February, Australians were expecting inflation of 4.0% over the next two years. *"This records how people were feeling before the COVID-19 (coronavirus) pandemic really impacted Australia and before the announcement of the Government's \$200 billion-plus stimulus and assistance, including the \$130 billion to support businesses and their employees announced in the past week,"* says Ms Levine

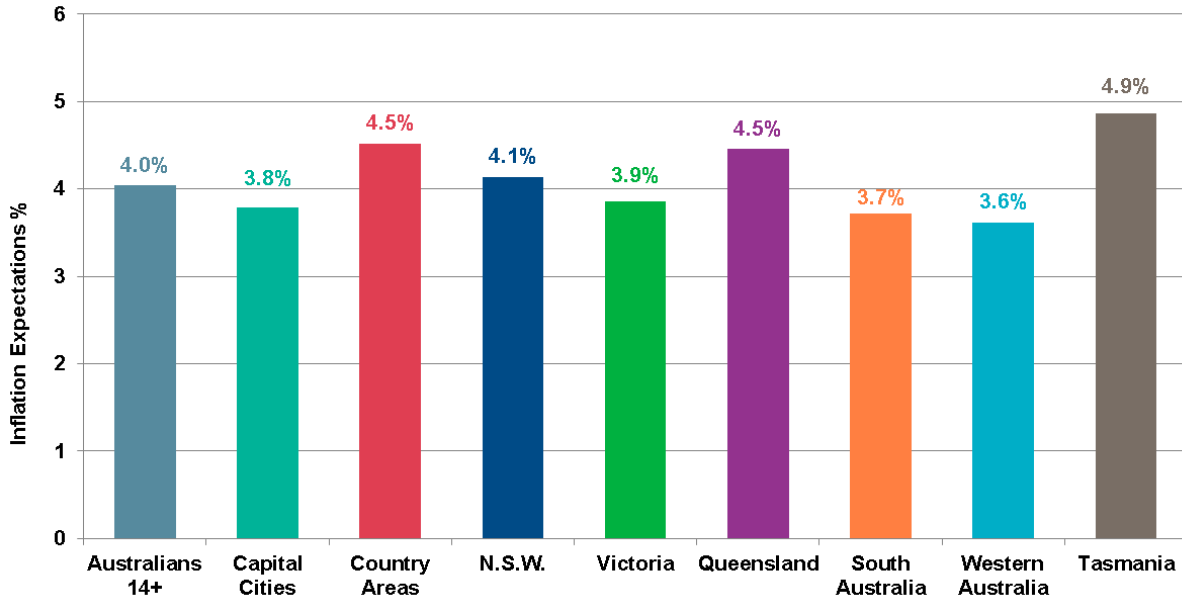
"The extra money circulating in the economy should support the prices of goods and services over the next few months, but also creates significant uncertainty as to how Australians' price expectations will evolve. It will be fascinating to see how the Index changes when our March results are released after Easter. Tracking Inflation Expectations over the next few months will be a very important tool to help policy makers attempting to find the best solutions in a fast-changing situation."

While the overall measure gives us insights into Australians as a whole, digging into the data shows marked differences between expectations, depending where people live. Those in country areas have expectations of future price increases at 4.5% per year, 0.5% above the national average and significantly higher than those who live in capital cities, at only 3.8%.

At a state level it is people in Tasmania (4.9%) and Queensland (4.5%) who have the highest price expectations over the next two years, while those in Western Australia (3.6%), South Australia (3.7%) and Victoria (3.9%) are below the national average.

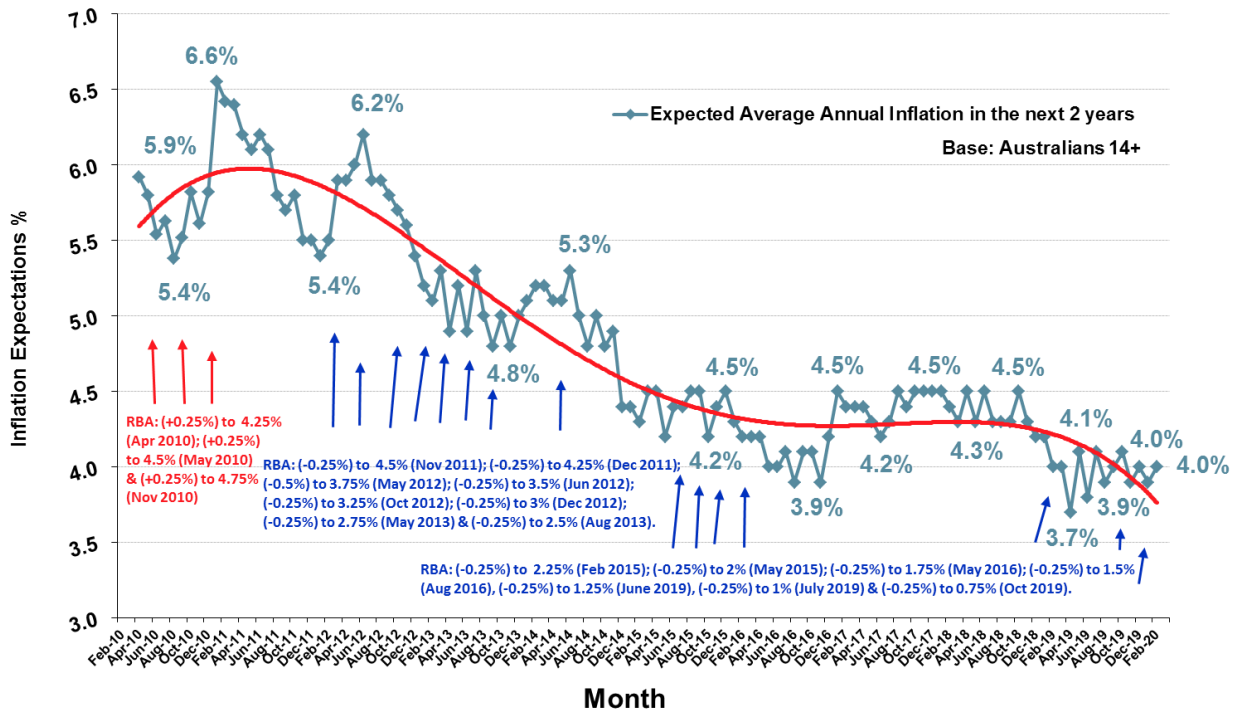
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Inflation Expectations by Capital Cities and State: February 2020



Source: Roy Morgan Single Source: February 2020, n=4,075. Base: Australians 14+.

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



Source: Roy Morgan Single Source: Interviews an average of 4,000 Australians per month aged 14+ (Apr. 2010 – Feb. 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](#).

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.

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

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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.

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>
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
Monthly Average	4.8	4.8	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.7	4.8	4.8

Overall Roy Morgan Inflation Expectations Average: 4.8