

Monday, 25 January 2021

## Inflation Expectations increase to 3.6% in December - highest for self-employed and lowest for those in public service

In December Australians expected inflation of 3.6% annually over the next two years, up 0.2% points from November and up 0.4% points on the record low in August. Inflation Expectations are now at their highest since the very beginning of the COVID-19 pandemic in April 2020.

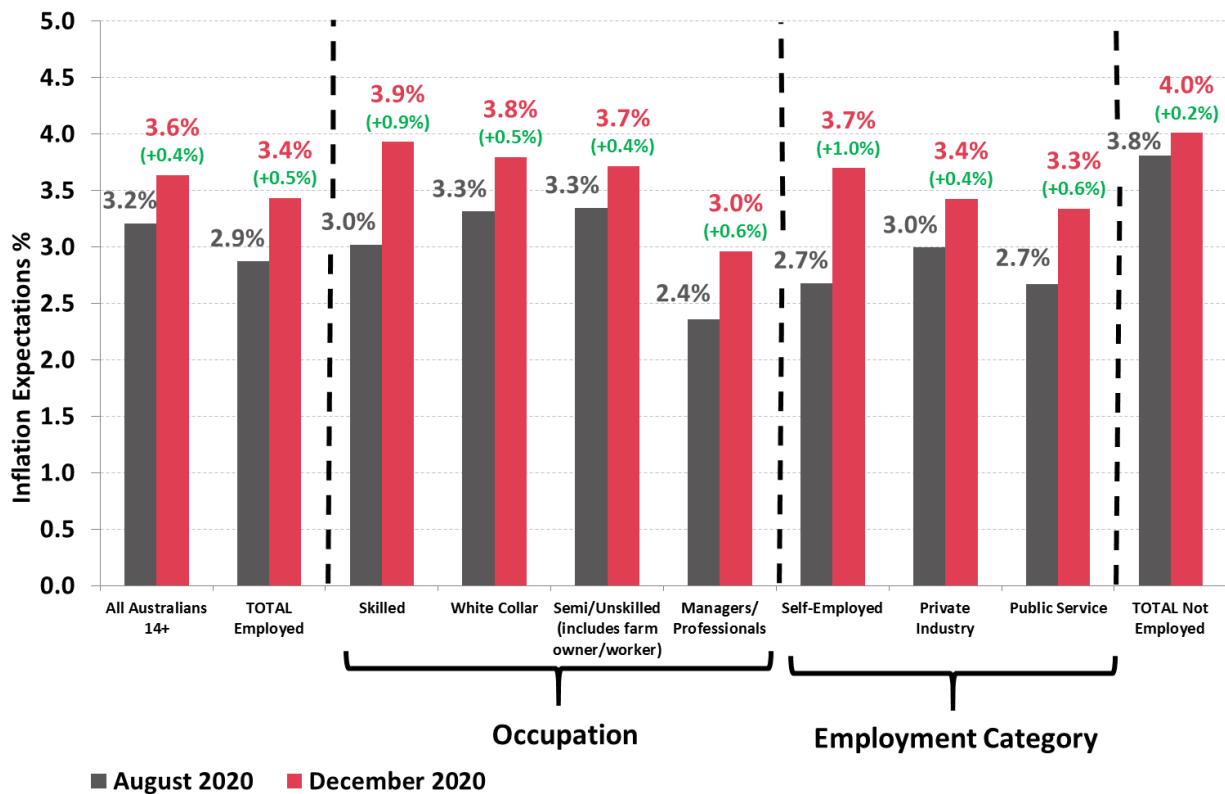
Inflation Expectations have increased sharply since hitting the record low in August and a look at different occupation and employment categories shows increases across the spectrum.

Australians who aren't employed (retired, home duties, students and unemployed) have higher Inflation Expectations at 4% than those who are employed (3.4%), but the gap has narrowed since August.

For those who are employed it is Skilled workers who now have the highest Inflation Expectations at 3.9% - and the biggest increase (+0.9% points) since August. Inflation Expectations for White Collar workers (3.8%) and Semi/Unskilled workers (3.7%) are both above the national average while it is Professionals/Managers who have the lowest at 3% - although all are up significantly since August.

A look at Inflation Expectations by employment category also tells a story with self-employed Australians having easily the highest at 3.7% - up a full 1% point in only four months. People in Private Industry have Inflation Expectations of 3.4% (up 0.4% points since August) and those in Public Service have lower still at 3.3% (up 0.6% points).

**Inflation Expectations by Occupation & Employment Category August 2020 cf. December 2020**



Source: Roy Morgan Single Source: Aug. 2020, n=6,119 and Dec. 2020, n=7,662. Base: Australians aged 14+.

**WA Inflation Expectations increase the most (and now the highest) as Australia opens up**

Although there were some reversals, with outbreaks of COVID-19 in New South Wales and Victoria that now appear contained, Australia continued to open up during December with restrictions lowering and borders between States coming down.

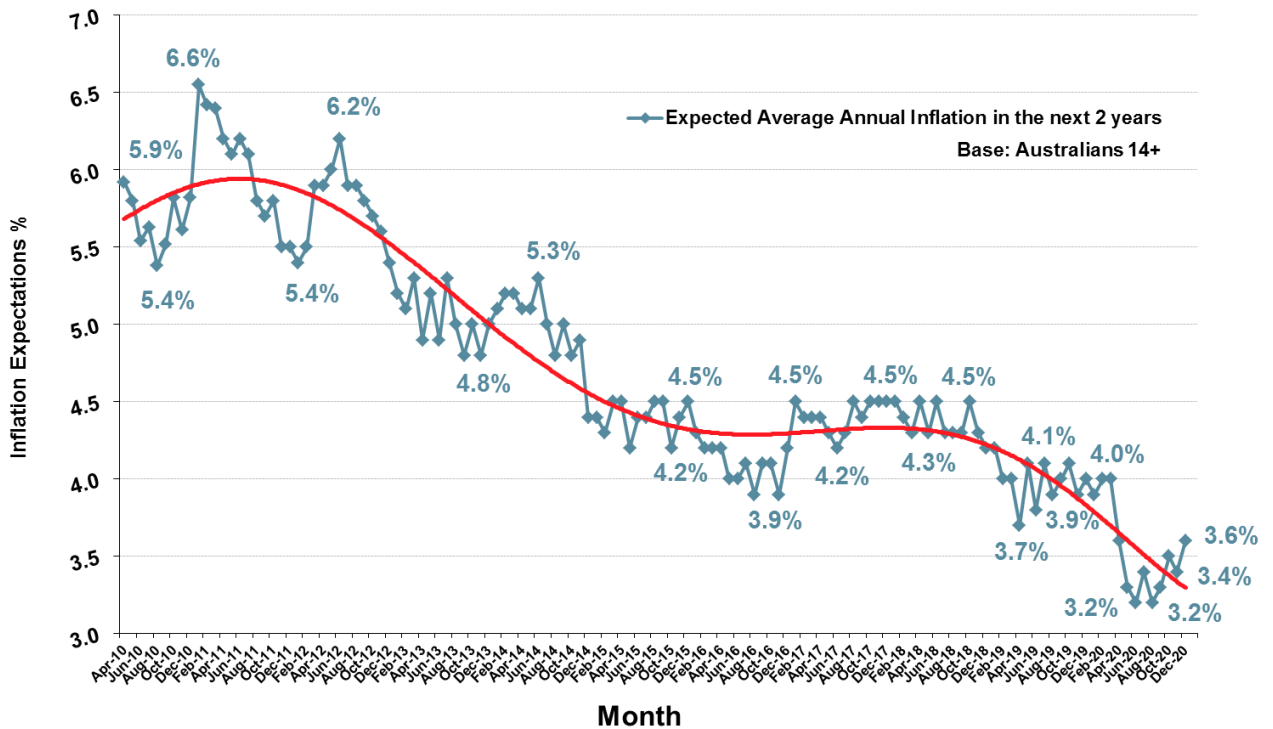
Because of these trends it is probably not surprising that WA, which was the only State to report a State Budget surplus last year and has dealt extremely successfully with COVID-19 while maintaining a hard border closure has experienced the largest rise in Inflation Expectations over the last few months, up by 1.3% points to 4% since August and now the highest of any State.

Slightly above the national average are the two smallest States of Tasmania on 3.8% (up 0.4% points since August) and South Australia on 3.7% (up 0.5% points).

Inflation Expectations are in line with the national average in New South Wales at 3.6% (up 0.3% points since August), Victoria on 3.6% (up 0.4% points) and Queensland on 3.6% (up 0.2% points). Inflation Expectations in both the ACT and NT continue to be lower than the national average and both are now below 3%.

On a regional basis Inflation Expectations are higher in Country Areas and are now at 3.8% (up 0.3% points since August) but rising faster in Capital Cities now on 3.6% (up 0.5% points).

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



**Source:** Roy Morgan Single Source: Interview s an average of 4,500 Australians aged 14+ per month (April 2010 – Dec. 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 have continued to increase and were at 3.6% in December, up 0.4% points from their record low of 3.2% in August:**

*“Inflation Expectations were at 3.6% in December, up 0.2% points from November, and up 0.4% points from the record low of 3.2% in August. Although there was a return to border closures later in the month early December marked the first time all internal State borders had come down for more than 8 months since the COVID-19 pandemic struck Australia.*

*“The good news for the national economy is that the small outbreaks in the Northern Beaches of Sydney, and also in Melbourne and Brisbane appear to be well under control after effective contact tracing and testing was used to find and isolate any positive cases.*

*“Perhaps the best news from these actions is that Victorian authorities now appear well able to manage any outbreaks of COVID-19 and quickly trace down any infection chains – meaning there should not be any further need for city-wide or state-wide lockdowns in the future.*

*“The increasing Inflation Expectations of Australians over the last few months matches the increasing Consumer and Business Confidence we have also seen. Consumer Confidence is now at 108.7 – and higher than the same week a year ago while [Business Confidence has soared by nearly 40pts over the last three months to a three-year high of 123.2.](#)*

*“Confidence is clearly returning quickly to Australian consumers and businesses and it is no surprise to see Inflation Expectations now increasing after hitting record lows in mid-2020.*

*“Inflation Expectations are highest in Western Australia, a State that has dealt superbly with the threat of COVID-19 and even delivered a Budget surplus during this most difficult of years on the back of strong iron ore prices while they have increased across all categories of employment and occupations since the record low level in August.*

*“Notably it is self-employed Australians that have the highest Inflation Expectations of any employment category at 3.7% - up a full 1% points in only four months. In contrast Inflation Expectations are still relatively low for those employed in private industry (3.4%) and the public service (3.3%) – although both have increased since August.*

*“As Government support is progressively withdrawn over the next few months it will be vital for the Australian economy to maintain the momentum of the last few months and continue to grow. Watching how Roy Morgan’s Inflation Expectations data performs will be a key leading indicator to determine whether consumers expect continued growth or begin to worry about a slowing economy without continued massive Government stimulus.”*

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 – December 2020 and includes interviews with 7,662 Australians aged 14+ in December 2020.

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

**Roy Morgan Enquiries**

Office: +61 (3) 9224 5309

[askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com)

**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 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	3.4	3.2	3.3	3.5	3.4	3.6	<b>3.5</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>4.8</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.6</b>	<b>4.8</b>

**Overall Roy Morgan Inflation Expectations Average: 4.7**

**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%.

**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