

Tuesday, 9 July 2019

Inflation Expectations down to 3.8% in June as RBA cuts rates

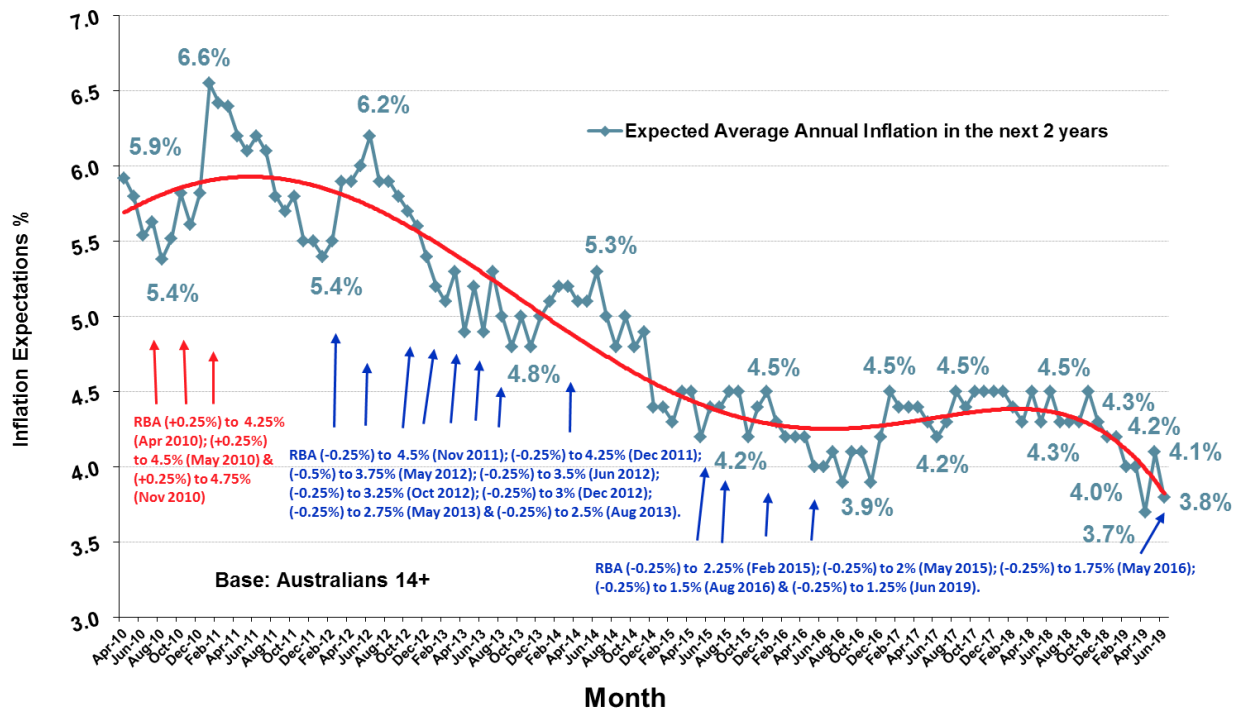
In June, Australians expected annual inflation of 3.8% over the next two years as the RBA cut interest rates to a record low 1.25% in the first week of June. This is down 0.3% on May and down a significant 0.7% on a year ago in June 2018.

Inflation Expectations have decreased around Australia in June, and are down compared to a year ago, led by declines for both employed and unemployed Australians as well as across different occupations and employment categories. **See below for a full analysis of these results in more detail.**

Inflation Expectations fell in June as the RBA commenced an interest rate cutting cycle. The RBA's decision to cut interest rates in June was the first cut announced by Australia's central bank since a similar cut nearly three years ago in August 2016.

Inflation Expectations in June are based on personally interviewing a nationwide representative sample of 3,984 Australians aged 14+ face-to-face in their own homes.

Roy Morgan Inflation Expectations Index – Expected Annual Inflation in next 2 years



Source: Roy Morgan Single Source: Interview s an average of 4,000 Australians per month aged 14+ (Apr. 2010 – June 2019).

Inflation Expectations down in June for both L-NP and ALP supporters

Inflation Expectations for Australians decreased in June and analysing by Federal voting intention shows lower Inflation Expectations for both L-NP and ALP supporters.

L-NP supporters have clearly the lowest Inflation Expectations of any supporter group at only 3.3% in June, down 0.1% from a month ago, while those for ALP supporters dropped by 0.3% to 3.7%.

The Inflation Expectations of Greens supporters were unchanged in June at 3.6% while for supporters of Independents/Others they fell by 0.3% to 4.8% - although still clearly the highest Inflation Expectations of any supporter groups.

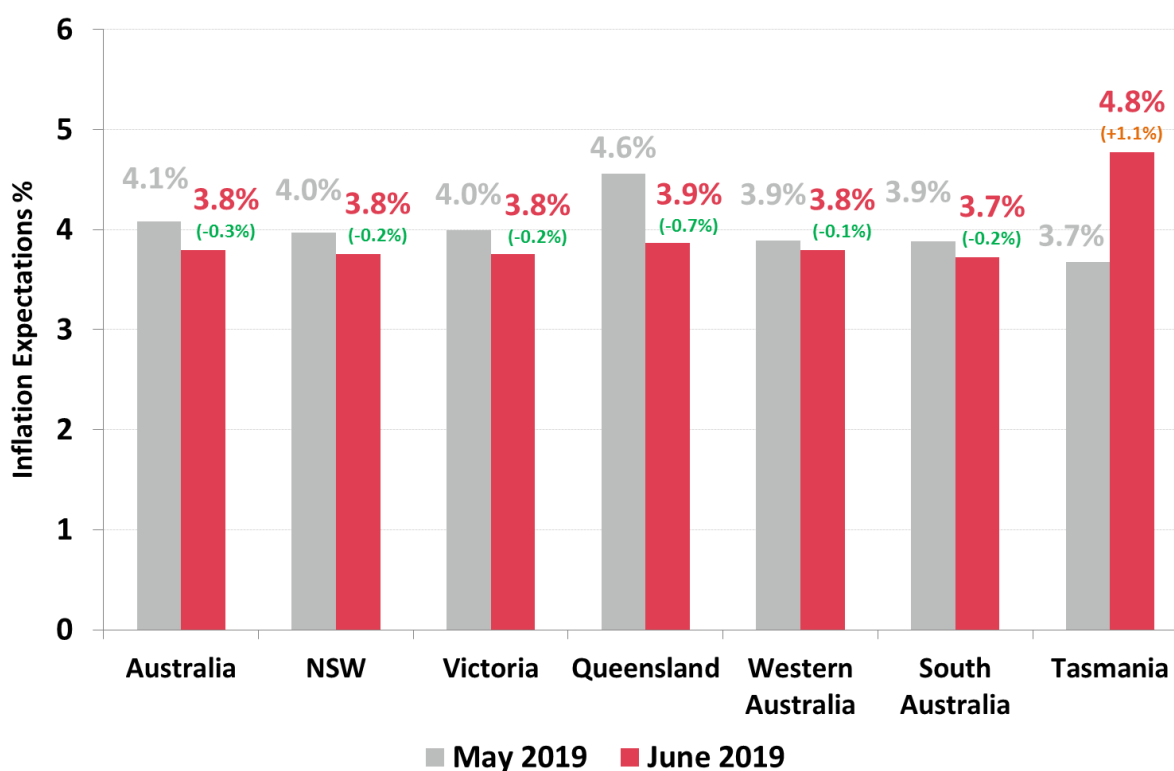
Inflation Expectations now highest in Tasmania and lowest in South Australia

Analysis of Inflation Expectations by State shows Inflation Expectations falling in most States in June with the exception of Tasmania. Inflation Expectations in Tasmania increased by 1.1% in June to 4.8% and are easily the highest Inflation Expectations of any State.

In contrast Inflation Expectations fell in all other States including by a significant 0.7% in Queensland to 3.9% and still just above the national average of 3.8%.

Inflation Expectations in New South Wales, Victoria and Western Australia were all down slightly to 3.8% in line with the national average. Inflation Expectations fell by 0.2% to 3.7% in South Australia now clearly the lowest Inflation Expectations of any State.

Inflation Expectations by State: May 2019 cf. June 2019



Source: Roy Morgan Single Source: May 2019, n=4,011 and June 2019, n=3,984. Base: Australians 14+.

Inflation Expectations driven lower by self-employed and skilled/unskilled workers

Analysing Inflation Expectations in Australia shows falls across the board for different occupation types and employment categories over the past year however the biggest falls have been for the self-employed and for skilled/unskilled workers.

Inflation Expectations for employed Australians for June 2019 dropped to only 3.6%, down 0.7% on a year ago. Inflation Expectations also declined for Australians that are not employed – including retired Australians, students, those on home duties, those choosing not to work and the unemployed – down by 0.6% to 4.2%.

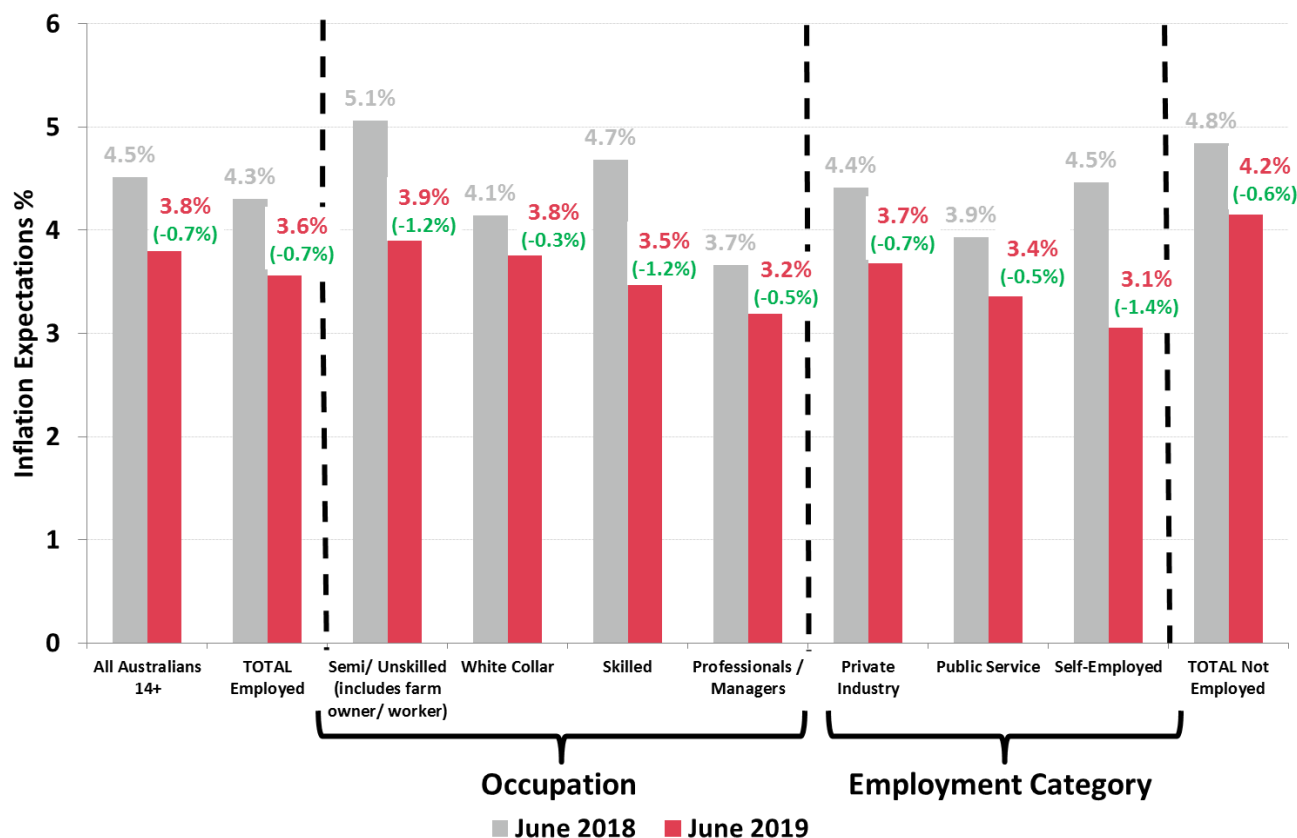
Analysing Inflation Expectations by employment category shows that Inflation Expectations for self-employed Australians dropped significantly, down 1.4% to only 3.1% and now the lowest of any occupation or employment category measured.

Inflation Expectations also fell for Australians in public sector employment by 0.5% to 3.4% in June 2019 and for Australians in the private sector by 0.7% to 3.7% compared to a year ago.

Analysing Inflation Expectations by occupation type shows Inflation Expectations for skilled Australians fell by 1.2% to 3.5% over the last year and were down 1.2% to 3.9% for semi/unskilled Australians.

The declines in Inflation Expectations were of a smaller magnitude for Australians in White Collar employment, down by 0.3% to 3.8%, while Inflation Expectations were down by 0.5% to only 3.2% for Australians in Professional/Managerial positions.

Inflation Expectations by Occupation & Employment Category June 2018 cf. June 2019



Source: Roy Morgan Single Source: June 2018, n=4,300 and June 2019, n=3,984. Base: Australians 14+.

Michele Levine, CEO, Roy Morgan, says Inflation Expectations dropped to 3.8% in June as the RBA raised interest rates for the first time in nearly three years:

“Roy Morgan Inflation Expectations dropped 0.3% points to 3.8% in June in the month the RBA commenced a rate cutting cycle for the first time in nearly three years since August 2016. As well as a monthly decline Inflation Expectations are now down 0.7% points from a year ago.

“The RBA has now cut interest rates by 0.25% points in both June and July to a record low of only 1% as concern about the health of the Australian economy has prompted widespread calls for stimulus.

“In addition to the RBA interest rate cuts the L-NP Government has already passed significant income tax cuts through Parliament which will reduce the taxation paid by Australian income earners over the next few years. Many Australian income earners will receive a bonus of over \$1,000 in the coming weeks after they lodge their tax returns.

“The cuts to income tax as well as the reduction in interest rates are designed to stimulate the Australian economy which slowed to a [GDP growth rate of only 1.8% in the year to March 2019](#) the slowest for two years since mid-2017.

“The concerted efforts to stimulate the economy come as Roy Morgan Inflation Expectations have fallen across the board over the last year with lower Inflation Expectations for employed Australians as well as those not employed.

“Inflation Expectations have declined significantly for the self-employed down by 1.4% points from a year ago to only 3.1% in June 2019, down by 1.2% points to 3.5% for Skilled workers and down by 1.2% points to 3.9% for Semi/Unskilled workers.

“Although falling, the decline in Inflation Expectations has been smaller than average over the past year for those in the Public Service, down by 0.5% points to 3.4% and for Professionals/Managers, down by 0.5% points to 3.2% in June 2019.”

This in-depth face-to-face research on Australian inflation expectations was conducted during the month of June 2019 with an Australia-wide cross-section of 3,984 Australians aged 14+.

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

Roy Morgan Enquiries

Office: +61 (3) 9224 5309

askroymorgan@roymorgan.com

Related research findings

Visit the Roy Morgan Online Store for a comprehensive range of profiles for discrete [geographic regions within Australia](#) including the States of [New South Wales](#), [Victoria](#), [Queensland](#), [Western Australia](#), [South Australia](#), [Tasmania](#) and defined Australian [Country Regions](#) and also [Capital Cities](#).

Browse our Online Store for an extensive range of reports on Inflation Expectations and [Consumer Confidence](#), [Business Confidence](#), [Federal voting intention](#) and many other profiles.

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 the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 75 years’ experience in 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) If respondent says more than 5%.

“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 – 2019)

<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							4.0
Monthly Average	4.9	4.8	4.9	4.9	4.9	4.9	5.0	4.9	4.9	4.9	4.9	4.8	4.9

Overall Roy Morgan Inflation Expectations Average: 4.9

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