

Friday, 14 June 2019

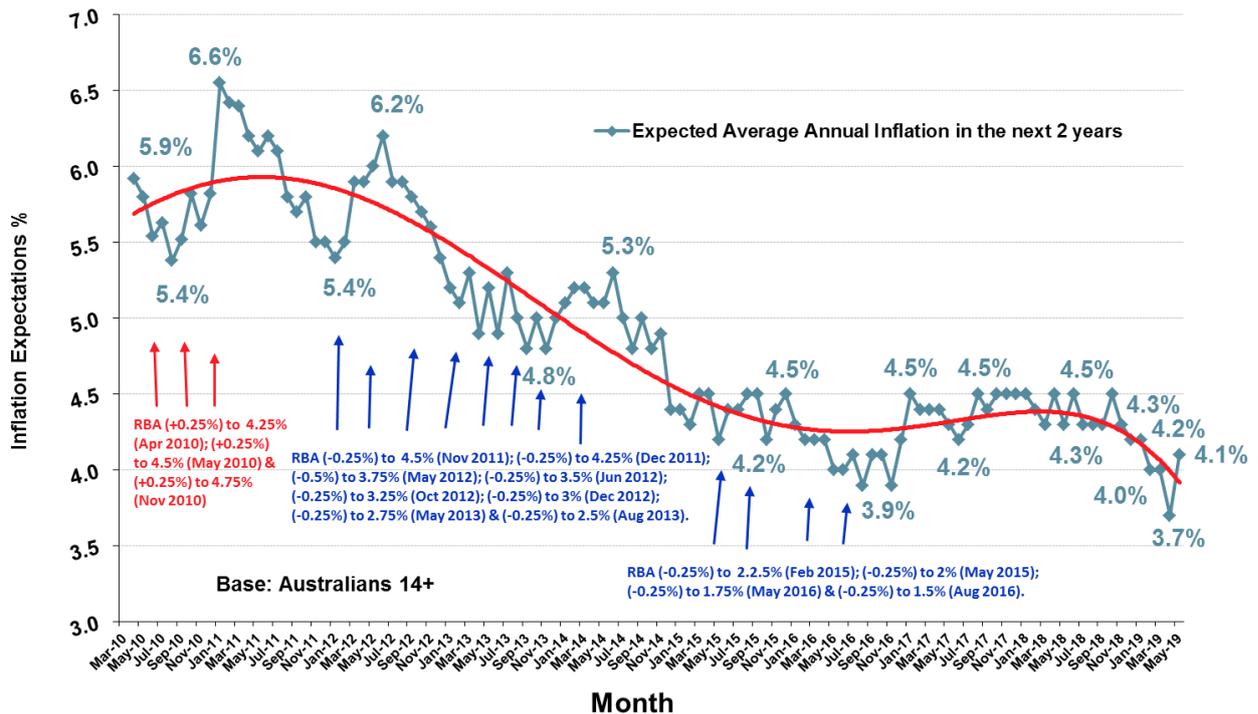
Inflation Expectations rebound to 4.1% in May as L-NP re-elected

In May, Australians expected inflation of 4.1% per year over the next two years – a significant rebound from the record low of only 3.7% in April. This is up 0.4% on April and down 0.2% on a year ago in May 2018.

Despite the increase in May, Inflation Expectations have decreased around Australia compared to a year ago although the decline has been concentrated in Capital Cities with Inflation Expectations in Country Areas unchanged on a year ago. **See below for a full analysis of these results in more detail.**

Inflation Expectations rebounded strongly in May as the political uncertainty which had lingered over the first half of this year cleared as Australians elected the L-NP Government to a third term. Inflation Expectations are based on personally interviewing a nationwide sample of 4,011 Australians aged 14+ face-to-face in their own homes.

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



Inflation Expectations for Greens supporters declined slightly by 0.2% in May and at 3.6% are still significantly lower than the Australian average of 4.1%.

Inflation Expectations significantly higher in Country Areas than Capital Cities

Analysis of Inflation Expectations by compared to a year ago shows that despite the month-on-month increase in May Inflation Expectations for Australia have declined by 0.2% from a year ago.

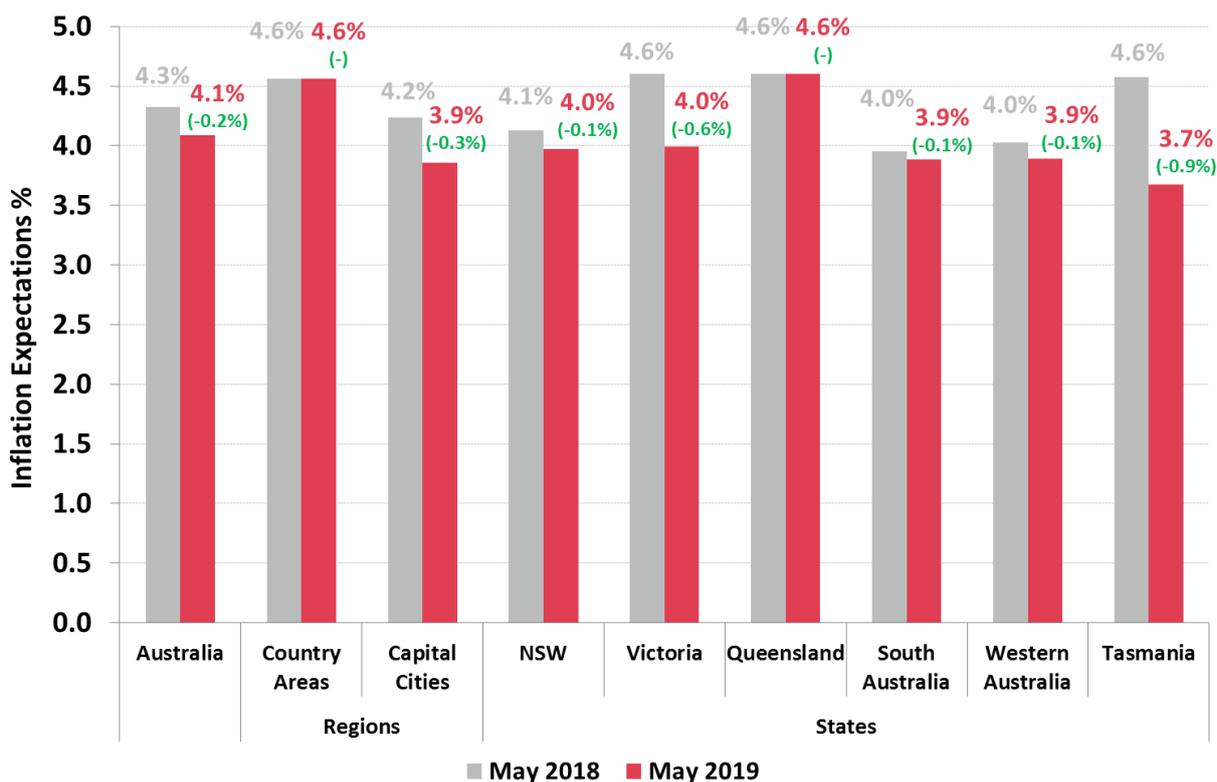
Analysis by Regions reveals that the decline has been concentrated in Capital Cities which now have Inflation Expectations of only 3.9%, down 0.3% on a year ago while the measure is significantly higher and unchanged from a year ago at 4.6% in Country Areas. Inflation Expectations in rural and regional Australia have now been consistently higher than in Australia's Capital Cities for two years since June 2017.

Analysis by State shows Inflation Expectations decreasing in most States in May compared to a year ago with the biggest decline in Tasmania, down by 0.9% to 3.7% and now the lowest in Australia.

Inflation Expectations in Western Australia and South Australia declined slightly from a year ago by 0.1% to 3.9%, while Inflation Expectations are also down by 0.1% to 4% in New South Wales and down by 0.6% to 4% in Victoria.

In contrast to other States there was no change to Inflation Expectations in Queensland compared to a year ago which are again the highest in Australia at 4.6%.

Inflation Expectations by States and Regions: May 2018 cf. May 2019



Source: Roy Morgan Single Source: May 2018, n=4,012 and May 2019, n=4,011. Base: Australians 14+.

Michele Levine, CEO, Roy Morgan, says Inflation Expectations have rebounded from a record low in April to increase 0.4% to 4.1% in May as Australians elected an L-NP Government to a third term against widespread public expectations:

"Roy Morgan Inflation Expectations rebounded from a record low of only 3.7% in April and increased by 0.4% to 4.1% in May as Australians re-elected Scott Morrison and the L-NP Government for another three years.

“However, despite the monthly increase, Inflation Expectations are still 0.2% lower than a year ago in May 2018. Inflation Expectations have now been lower on a year-over-year basis since October 2018 although the increase in May was the largest for nearly six years since July 2013.

“The drop in Inflation Expectations compared to a year ago has been broad-based around Australia’s States with drops in five out of Australia’s six States, although Inflation Expectations are unchanged at 4.6% in Queensland – now the highest of all States.

“Although widespread, Inflation Expectations have been hit the hardest in Australia’s Capital Cities, down by 0.3% to only 3.9% compared to a year ago. In contrast there has been little change in Country Areas with Inflation Expectations unchanged on a year ago at 4.6%.

“Higher Inflation Expectations in rural and regional Australia have been a consistent trend in recent years with Inflation Expectations in Australia’s two largest cities hit by substantial house price declines since mid-2017. The last time Australia’s Capital Cities had higher Inflation Expectations was two years ago in June 2017.

“The rebound in Inflation Expectations in May came throughout the month as many ‘pundits’ early in May had predicted the election of an ALP Government with the prospect of increased spending driving inflation higher. However, the L-NP’s unexpected victory in mid-May has now ended the political uncertainty which had impacted economic confidence over the last year leading into key elections in Victoria (November 2018), NSW (March 2019) as well as the recent Federal Election, has finally lifted with all three Governments re-elected to another term.

“Looking forward, the L-NP Government’s commitment to legislate substantial income tax cuts, as well as the RBA’s interest rate cut to a record low 1.25% with further interest rate cuts expected, should provide substantial support to the economy and lead to an increase in Inflation Expectations over the remainder of 2019.”

This in-depth face-to-face research on Australian inflation expectations was conducted during the month of May 2019 with an Australia-wide cross-section of 4,011 Australians aged 14+.

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 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								4.0
Monthly Average	4.9	4.8	4.9	4.9	4.9	5.0	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