

Tuesday, 21 May 2019

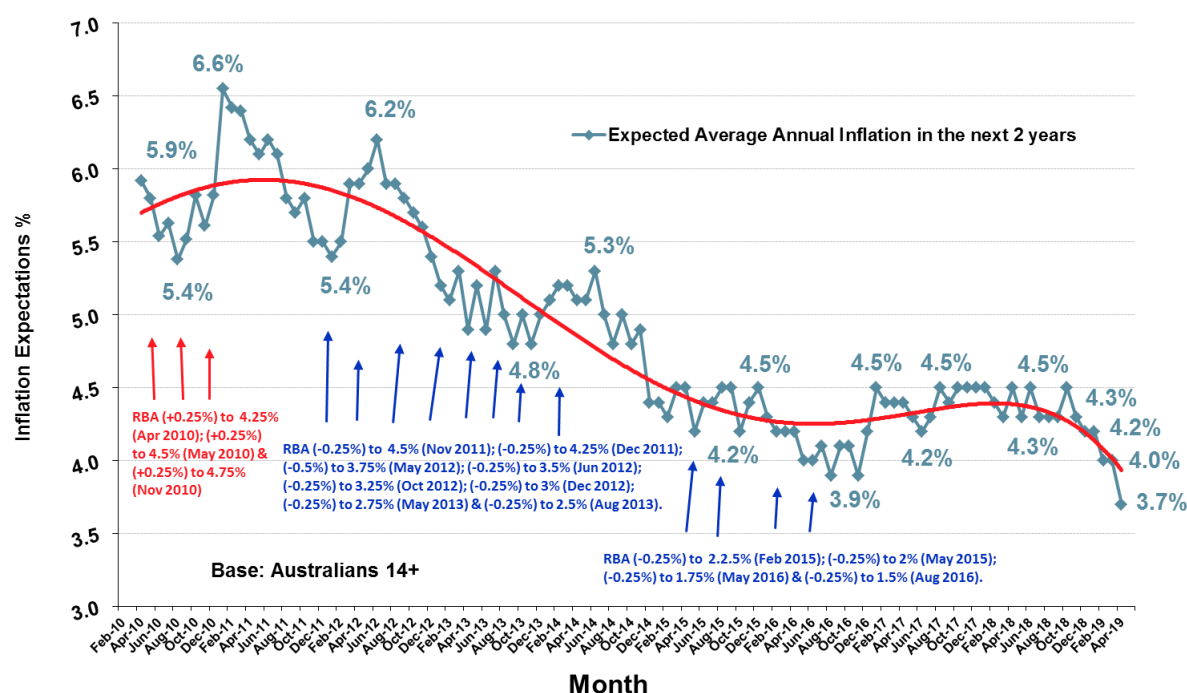
Inflation Expectations dropped to a record low of 3.7% in April

In April, Australians expected inflation of only 3.7% per year over the next two years – a new record low for the indicator. This is down 0.3% on March and down a substantial 0.8% on a year ago in April 2018.

Inflation Expectations have decreased across the political spectrum from a year ago. Down significantly for L-NP and ALP supporters while they have also dropped for supporters of the Greens and Independents/Others. **See below for a full analysis of these results in more detail.**

Inflation Expectations have now dropped to 1.2% points below the nine year average of 4.9% in April, the largest gap below average since late 2015. Inflation Expectations are based on personally interviewing a nationwide sample of 4,154 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: Interviews an average of 4,000 Australians per month aged 14+ (Apr. 2010 – Apr. 2019).

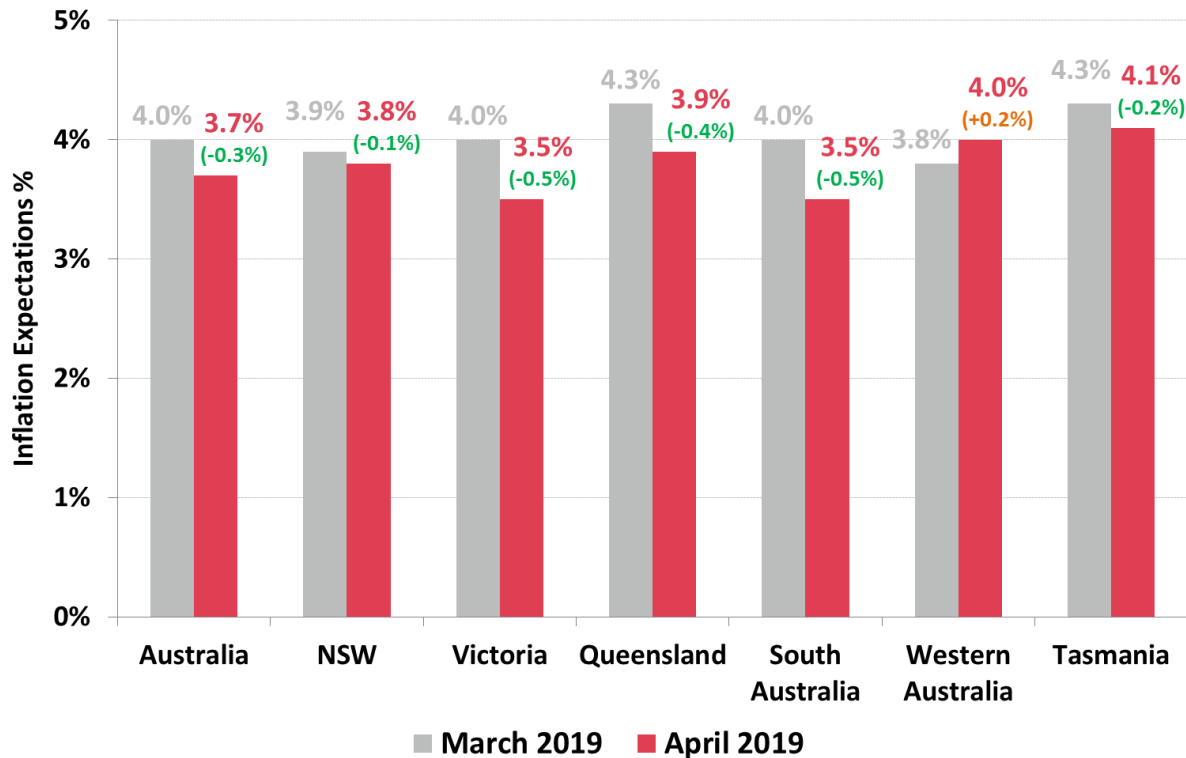
Inflation Expectations now highest in Tasmania and lowest in Victoria & SA

Analysis of Inflation Expectations by State shows Inflation Expectations falling in most States in April with the exception of WA. Inflation Expectations in WA increased by 0.2% in April to 4.0% and are now just behind Tasmania on 4.1% - the highest Inflation Expectations of any State.

In contrast Inflation Expectations fell in all other States including by a significant 0.5% in both Victoria and South Australia. Inflation Expectations in Victoria and South Australia are now the lowest in Australia at only 3.5% in April.

Inflation Expectations in New South Wales were virtually unchanged at 3.8%, down 0.1% from a month ago, and were down 0.4% to 3.9% in Queensland. Inflation Expectations in both of these States remained marginally above the national average of 3.7%.

Inflation Expectations by State: March 2019 cf. April 2019



Source: Roy Morgan Single Source: March 2019, n=4,069 and April 2019, n=4,154. Base: Australians 14+.

Inflation Expectations down significantly from a year ago across the political spectrum

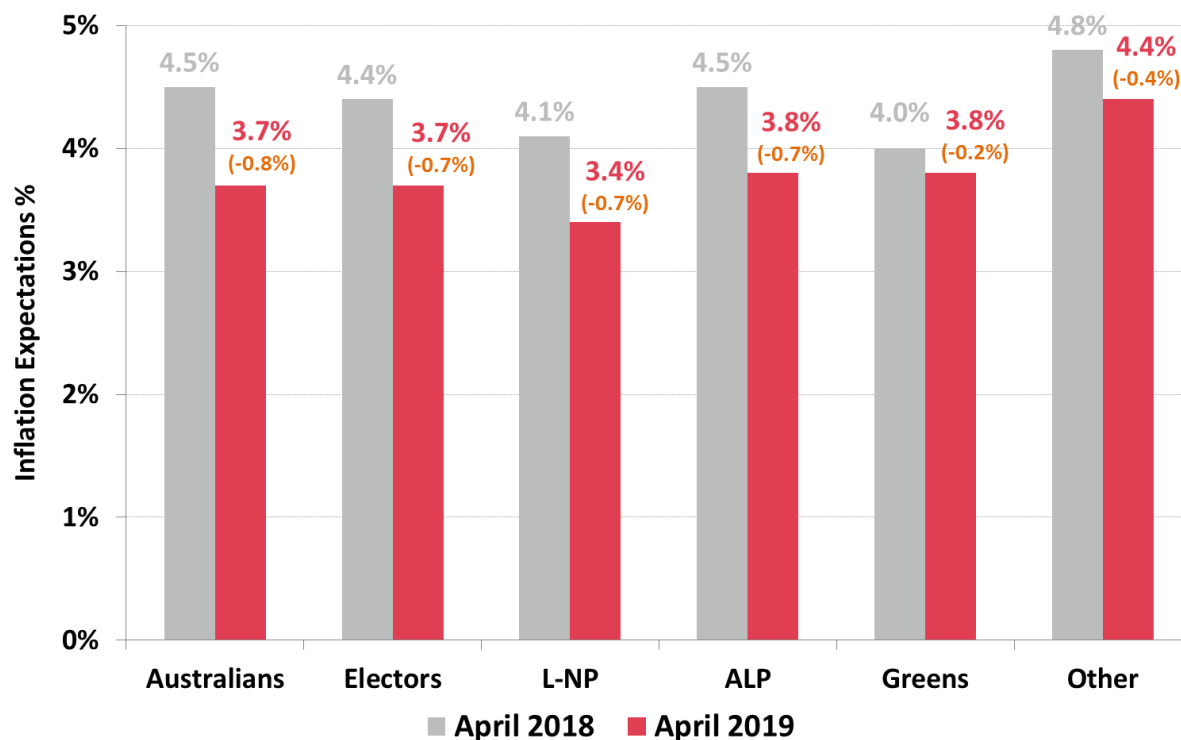
Inflation Expectations for Australians, Australian electors and for supporters of the two major political parties, the L-NP and ALP, have all fallen significantly over the last year.

The Inflation Expectations of Australians are now at 3.7%, down 0.8% from a year ago, while Australian electors now also have Inflation Expectations of 3.7%, down 0.7% from April 2018.

Inflation Expectations for L-NP supporters have dropped to only 3.4%, down 0.7% from a year ago, while those of ALP supporters are now just above the national average at 3.8%, also down by 0.7%.

The Inflation Expectations of Greens supporters are in comparison little changed from a year ago at 3.8%, down by only 0.2%. Supporters of Independents/Others once again have the highest Inflation Expectations of any group at 4.4%, down by 0.4% from a year ago.

Inflation Expectations by Voting Intention April 2018 cf. April 2019



Source: Roy Morgan Single Source: April 2018, n=5,538 and April 2019, n=4,154. Base: Australians 14+.

Michele Levine, CEO, Roy Morgan, says Inflation Expectations dropped to a record low of only 3.7% in April with declines for supporters across the political spectrum prior to the Federal Election which resulted in a surprise victory for Scott Morrison and the L-NP:

“Roy Morgan Inflation Expectations dropped to a record low of only 3.7% in April and are now down a substantial 0.8% from a year ago. The decline in Inflation Expectations as measured by Roy Morgan mirrors the decline seen in the [ABS CPI figure which dropped to a neutral “0%”](#) in the March quarter 2019 for an annual CPI of only 1.3%. This is one of the lowest ABS CPI estimates since the Global Financial Crisis in 2008-09.

Over the last year Inflation Expectations have fallen significantly amongst both L-NP supporters (down 0.7% to 3.4%) and ALP supporters (down 0.7% to 3.8%) and are also down for supporters of the Greens and Independents/Others.

“We have consistently highlighted that the political uncertainty over the last year, and last six months in particular, with important State Elections in Victoria (November 2018) and NSW (March 2019) as well as the recent Federal Election, has contributed to a decline in sentiment that has negatively impacted Business Confidence and also Inflation Expectations.

“As it turns out, all three Governments were returned with swings to the Victorian Government led by Premier Daniel Andrews and the Federal Government led by Prime Minister Scott Morrison. Premier Gladys Berejiklian in NSW suffered a small swing against but won a clear majority of seats against the expectations of many ‘pundits’.

“The return to Government of Australia’s three most important political leaders with renewed mandates to govern has cleared significant political uncertainty and we expect a substantial improvement in sentiment for the business community and wider economy in the months ahead.”

This in-depth face-to-face research on Australian inflation expectations was conducted during the month of April 2019 with an Australia-wide cross-section of 4,154 Australians aged 14+.

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

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Related research findings

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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.

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) 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 | | | | | | | | | 4.0 |
| Monthly Average | 4.9 | 4.8 | 4.9 | 4.9 | 5.0 | 5.0 | 5.0 | 4.9 | 4.9 | 4.9 | 4.9 | 4.8 | 4.9 |

Overall Roy Morgan Inflation Expectations Average: 4.9