

Friday, 13 May 2022

## Inflation Expectations drop 0.3% points to 5.5% in April after petrol excise cut in half at the end of March

In April 2022 Australians expected inflation of 5.5% annually over the next two years, down 0.3% points from March 2022. The level of Inflation Expectations in April represents a pullback from the large monthly increase in March (+0.7% points) which sent the measure to a near decade high.

Inflation Expectations in April are a large 1.8% points higher than a year ago in April 2021 and well above the long-term average of 4.7% but have pulled back after the petrol excise was cut in half in Treasurer Josh Frydenberg's Federal Budget delivered in late March and petrol prices declined by nearly 50 cents per litre from mid-March to mid-April.

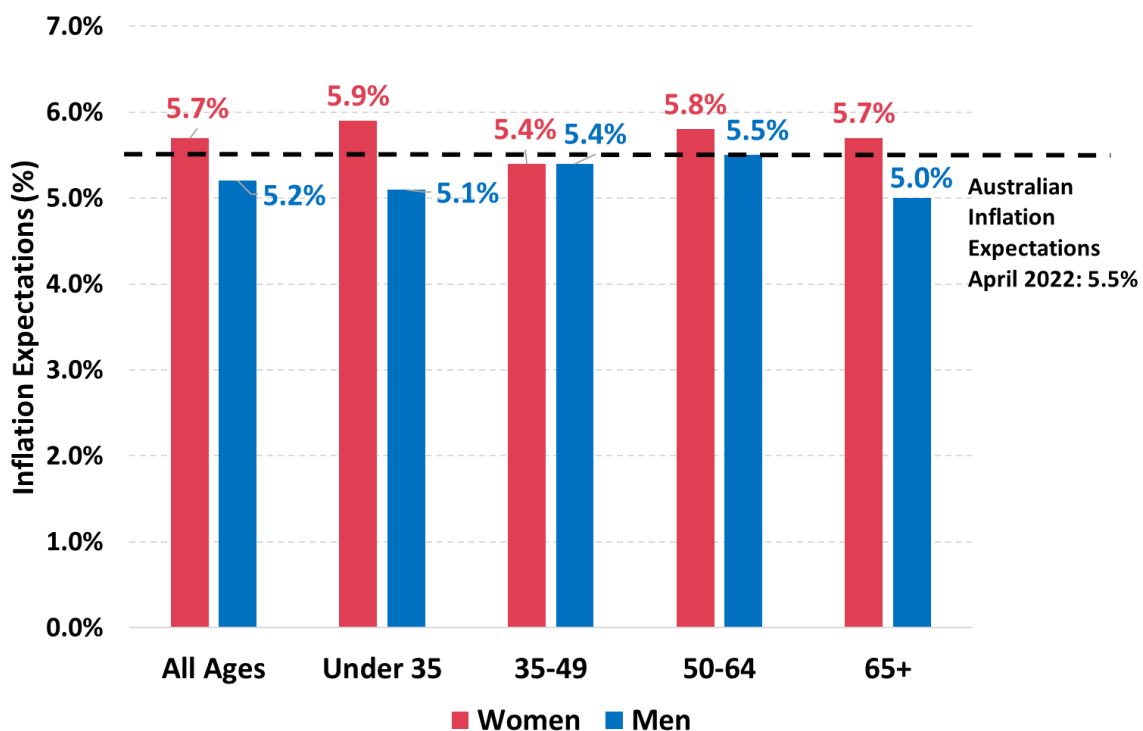
### Inflation Expectations are significantly higher for women (5.7%) than men (5.2%)

As we head towards a Federal Election we can see big differences between the Inflation Expectations of women (5.7%) and men (5.2%) – a difference of 0.5% points. Women and men aged 35-49 are the one exception to this trend with both genders having lower than average Inflation Expectations of 5.4%.

The largest gap is for younger women and men aged under 35. Women in this age group have the highest Inflation Expectations of any gender and age group at 5.9% compared to only 5.1% for men of this age.

There is an almost equally large gap for the oldest Australians aged 65+ for which women have Inflation Expectations of 5.7% compared to only 5.0% for men of this age – the lowest Inflation Expectations of any gender and age group.

### Inflation Expectations by Gender & Age: April 2022



Source: Roy Morgan Single Source: April 2022, n=5,970. Base: Australians 14+.

**Inflation Expectations continue to be higher in Country Areas (5.8%) than Capital Cities (5.3%)**

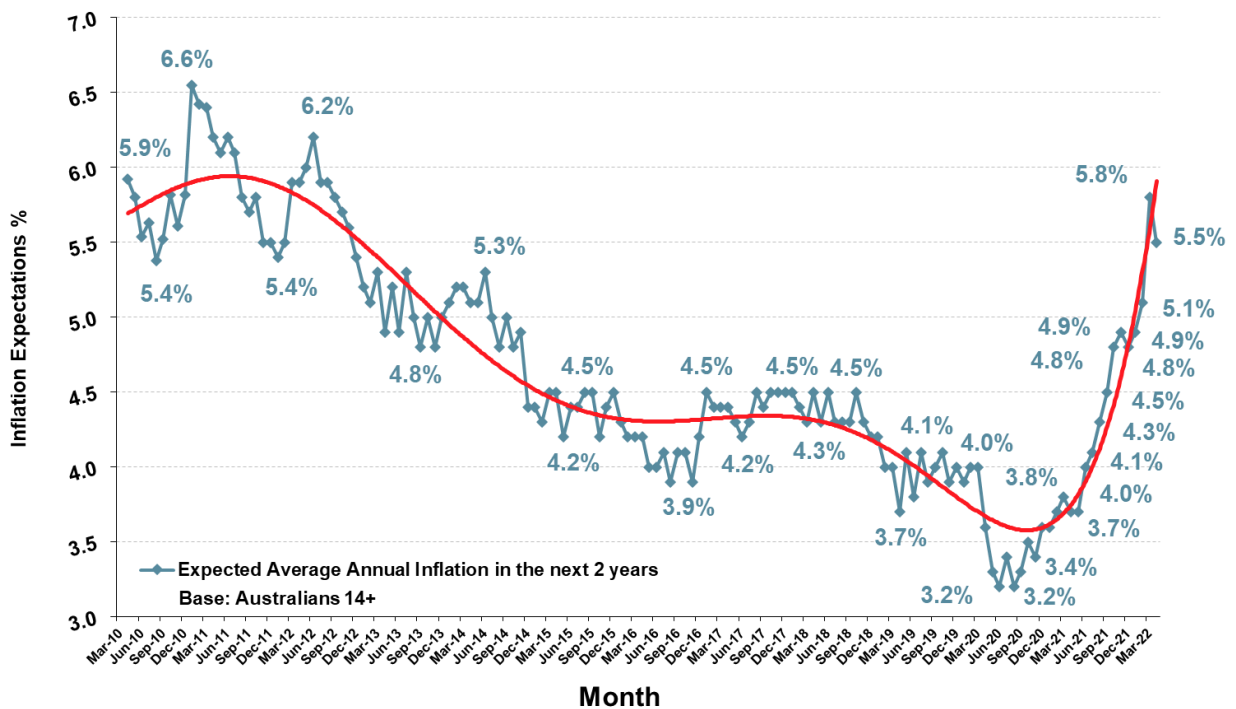
Inflation Expectations continue to be higher in Country Areas than Capital Cities although both are down significantly on the decade-high reached in March. Australians in Country Areas now have Inflation Expectations of 5.8%, down 0.5% points in a month compared to 5.3% for those in Capital Cities, down 0.3% points from a month ago.

On a State-based level Inflation Expectations were again highest in the highly regional States of Tasmania (6.0%) and Queensland (5.8%).

Inflation Expectations were in line with the national average in the two largest States of New South Wales (5.5%) and Victoria (5.5%) and again slightly below the national average in Western Australia (5.4%).

Inflation Expectations were lowest of all in South Australia at only 5.0%.

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



**Source:** Roy Morgan Single Source: Interviewing an average of 4,600 Australians aged 14+ per month (April 2010-April 2022). See below for a comprehensive list of RBA interest rate changes during the time-period charted above.

**Roy Morgan CEO Michele Levine says the decision to slash the petrol excise in half (cutting petrol prices by nearly 25 cents per litre) in the Federal Budget in late March has knocked Inflation Expectations down by 0.3% points in April – the biggest drop in two years:**

*“Inflation Expectations dropped by 0.3% points to 5.5% in April 2022 – the largest monthly drop since the early stages of the pandemic in May 2020. However, despite the monthly drop, Inflation Expectations are still up 1.8% points from a year ago and are now 0.8% points above the long-term average of 4.7%.*

*“Treasurer Josh Frydenberg’s decision to slash the petrol excise in half (22 cents + 2.2 cents GST – a total cut to the petrol price of 24.2 cents per litre) in the Federal Budget in late March clearly provided an immediate reduction to inflationary pressures in April and ended a streak of rapidly rising Inflation Expectations seen throughout the early months of 2022.*

*“As we head towards the Federal Election next week it’s important to understand how key demographics are dealing with the increasing level of inflation in the Australian economy. The latest ABS CPI figure for the 12 months to March 2022 showed inflation hitting 5.1%, the highest for over two decades.*

*“The higher-than expect ABS CPI figure for the 12 months to March 2022 subsequently led the RBA to increase interest rates for the first time in over a decade last week, up 0.25% points to 0.35% - still below the level they were at in February 2020 (0.75%) before the pandemic began.*

*“Looking at Inflation Expectations by Gender & Age shows women (5.7%) have significantly higher expectations than men (5.2%) - a difference of 0.5% points. The difference is most apparent for younger people aged under 35 (5.9% for young women cf. 5.1% for young men – a difference of 0.8% points).*

*“The higher Inflation Expectations for women correlate with other measures that Roy Morgan tracks on an ongoing basis including the most important issues people mention from a list of 18 key issues. The most important issue nominated is ‘Keeping day-to-day living costs down’ – mentioned by 38% of Australians in the March quarter 2022.*

*“There is a clear gender difference on this question. Over two-fifths of women (42%) mentioned ‘Keeping day-to-day living costs down’ as the most important issue compared to 34% of men – a difference of 8% points. For those aged under 35 the difference is even larger: 40% of women aged under 35 say ‘Keeping day-to-day living costs down’ is the most important issue compared to only 30% of men – a gap of 10% points.*

*“The exact political impact of the ‘gender gaps’ the data shows for Inflation Expectations and the issue of ‘Keeping day-to-day living costs down’ is hard to measure, but it is certainly not working in favour of the Morrison Government.*

*“The latest [Roy Morgan Poll on Federal Voting Intention shows the ALP on 54.5% now 9% points ahead of the L-NP on 45.5% on a two-party preferred basis](#) with early voting already begun. Women are driving this gap with support for the ALP at 58% compared to only 42% for the L-NP. In contrast men narrowly favour the Opposition: ALP 51% cf. L-NP 49%.*

*“Whichever party wins next week’s Federal Election will face an environment of rising inflation and increasing interest rates which many Australians have never seen before although there are clearly parallels emerging between the current situation and that experienced in the 1970s.”*

The data for the Inflation Expectations series is drawn from the Roy Morgan Single Source which has interviewed an average of 4,600 Australians aged 14+ per month over the last decade from April 2010 – April 2022 and includes interviews with 5,970 Australians aged 14+ in April 2022.

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

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**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 80 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 – 2022)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Average
2010	n/a	n/a	n/a	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	3.6	3.3	3.2	3.4	3.2	3.3	3.5	3.4	3.6	3.5
2021	3.6	3.7	3.8	3.7	3.7	4.0	4.1	4.3	4.5	4.8	4.9	4.8	4.2
2022	4.9	5.1	5.8	5.5									5.3
Monthly Average	4.7	4.7	4.8	4.8	4.7	4.7	4.7	4.6	4.7	4.7	4.6	4.7	4.7

Overall Roy Morgan Inflation Expectations Average: 4.7

### 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

**RBA interest rates changes during the time-period measured: 2010-2022.**

**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%.

**RBA – Interest rate increasing cycle (2022):**

**2022**

May 2022: +0.25% to 0.35%.