

Tuesday, 3 August 2021

Inflation Expectations increase to 4.1% in July, highest for nearly two years since October 2019

In July 2021 Australians expected inflation of 4.1% annually over the next two years, up 0.1% and the highest Inflation Expectations for nearly two years since October 2019. Inflation Expectations are now up 0.9% points since the pandemic low of 3.2% a year ago in August 2020.

Inflation Expectations are still 0.6% points below their long-term average of 4.7% but are now 0.6% points higher than the 2020 monthly average of 3.5% and 0.7% points higher than a year ago in July 2020 (3.4%).

A look at Inflation Expectations by occupation and employment category compared to a year ago shows increases across the board. Inflation Expectations for employed Australians increased by 0.8% points to 4.0% but still trail those of Australians who are not employed at 4.3%, an increase of 0.6% points from July 2020.

Private industry workers have much higher Inflation Expectations than workers in the public service

Self-Employed Australians now have the highest Inflation Expectations of any employment category at 4.4% in July, up a large 0.9% points since July 2020 while there has been a similar increase for Australians employed in private industry with Inflation Expectations of 4.1%, up 0.9% points. However, those in the public service have a different view and their Inflation Expectations have only increased 0.3% points to 3.5%.

For occupation types it is Semi/Unskilled workers who again have the highest Inflation Expectations at 4.8%, up 0.4% points from a year ago while the lowest is held by Skilled workers at 3.5% (up 0.1% points) and Professionals/Managers at 3.6% (up 0.9% points).

Inflation Expectations by Occupation & Employment Category: July 2020 cf. July 2021



Source: Roy Morgan Single Source: July 2020, n=5,803; July 2021, n=6,045. Base: Australians aged 14+.

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Inflation Expectations are now highest in Queensland and Tasmania and again lowest in SA

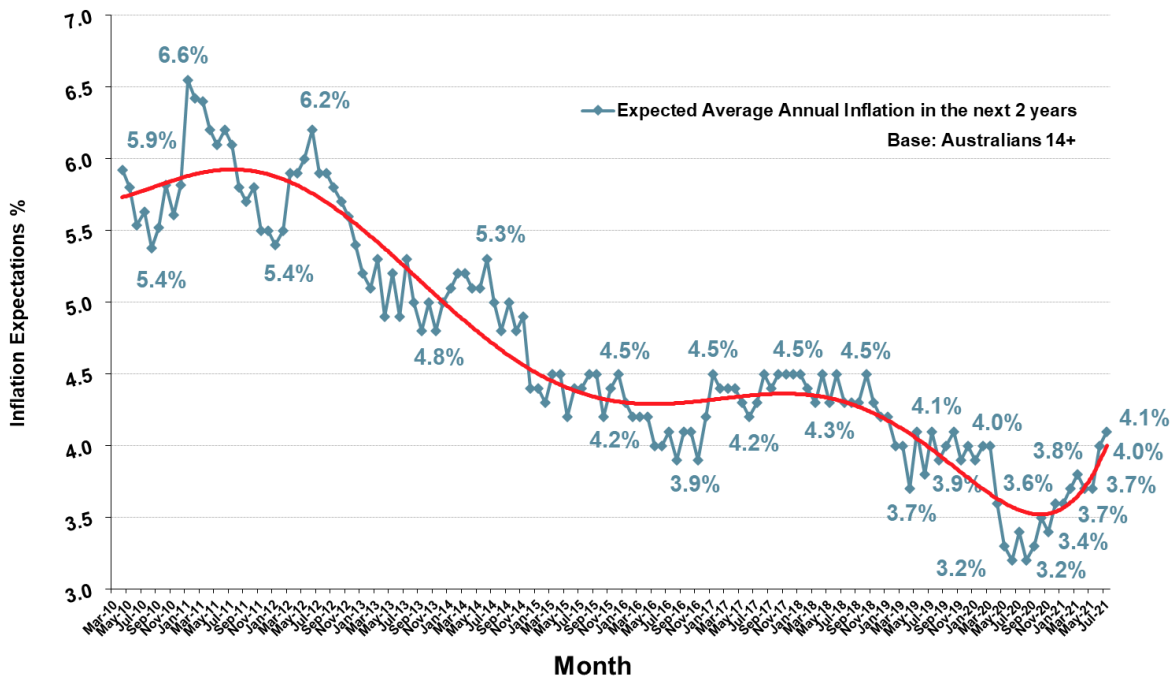
On a State-based level Inflation Expectations are slightly higher than the national average and now highest in Queensland and Tasmania at 4.2% in July.

Inflation Expectations are in-line with the national average in both NSW and Western Australia at 4.1% in July. These are the highest Inflation Expectations for folks in Western Australia for exactly two years since July 2019.

Slightly below the national average are South Australia and Victoria which have Inflation Expectations of 4% in July. Despite being lower than most other States this is the highest Inflation Expectations have been in Victoria for nearly two years since October 2019.

The [ANZ-Roy Morgan Consumer Confidence Rating for July was at 108.6, an increase of 17.8pts \(+19.6%\) from July 2020](#) a year ago. The figure for the month of July is higher than the current figure for the first week of August which is at 101.8 after the extension of Sydney’s month-long lockdown and recent lockdowns of at least a week in Melbourne, Adelaide, and now Brisbane.

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



Source: Roy Morgan Single Source: Interviewing an average of 4,500 Australians aged 14+ per month (April 2010 – July 2021).

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 increased to 4.1% in July – their highest for nearly two years since October 2019, but the current lockdowns in Greater Sydney and SE Queensland are set to dent the economic recovery:

“Inflation Expectations increased by 0.1% points to 4.1% in July and are up 0.9% points from the low-point reached in August 2020 (3.2%) during Victoria’s second wave of COVID-19. Inflation Expectations are now 0.6% points above the yearly average of 3.5% for 2020 and have been driven higher by increases across a diverse range of employment categories over the last year.

“One of the biggest differences to emerge is the diverging view on Inflation between those who work in the public service and those working in private industry or self-employed.

“The Inflation Expectations of the self-employed have increased by 0.9% points over the last year to now be at 4.4% - well above the national average of all Australians. There has been a

similar trend for those working in private industry who now have Inflation Expectations of 4.1% - an increase of 0.9% points from a year ago.

“These big increases in Inflation Expectations have been larger than that for the population at large and this is explained when one considers those working in the public service. For public servants Inflation Expectations have only increased by 0.3% points to 3.5% - well below those of average Australians.

“These figures give an indication about who is feeling the rise in prices most keenly and it is those working in private sector jobs who are most at risk from repeated lockdowns and border closures that disrupt their ability to conduct their business.

“Since mid-May there have now been eight lockdowns around Australia including two lockdowns in Melbourne and Brisbane, short lockdowns in Perth, Darwin and South Australia, and an extended lockdown of over a month in Greater Sydney.

“Unfortunately for private industry these lockdowns are set to remain an ever-present possibility over the next few months as Australia’s vaccine rollout continues. The latest figures from the [Department of Health show about 12.5 million vaccine doses have been administered in Australia covering just over 40% of Australians aged 16+.](#)”

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 – July 2021 and includes interviews with 6,045 Australians aged 14+ in July 2021.

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

Roy Morgan Enquiries

Office: +61 (3) 9224 5309

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 79 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 – 2021)

<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	4.1	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						3.8
Monthly Average	4.7	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.6	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: 2010-2020.

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%.