

Monday, 12 July 2021

Inflation Expectations increase to 4% in June, highest since March 2020 and up 0.8% points from record low of 3.2%

In June 2021 Australians expected inflation of 4% annually over the next two years, up 0.3% and the highest Inflation Expectations since the pandemic began. Inflation Expectations are now 0.8% higher than they were a year ago – the biggest year-over-year increase since the series began in 2010.

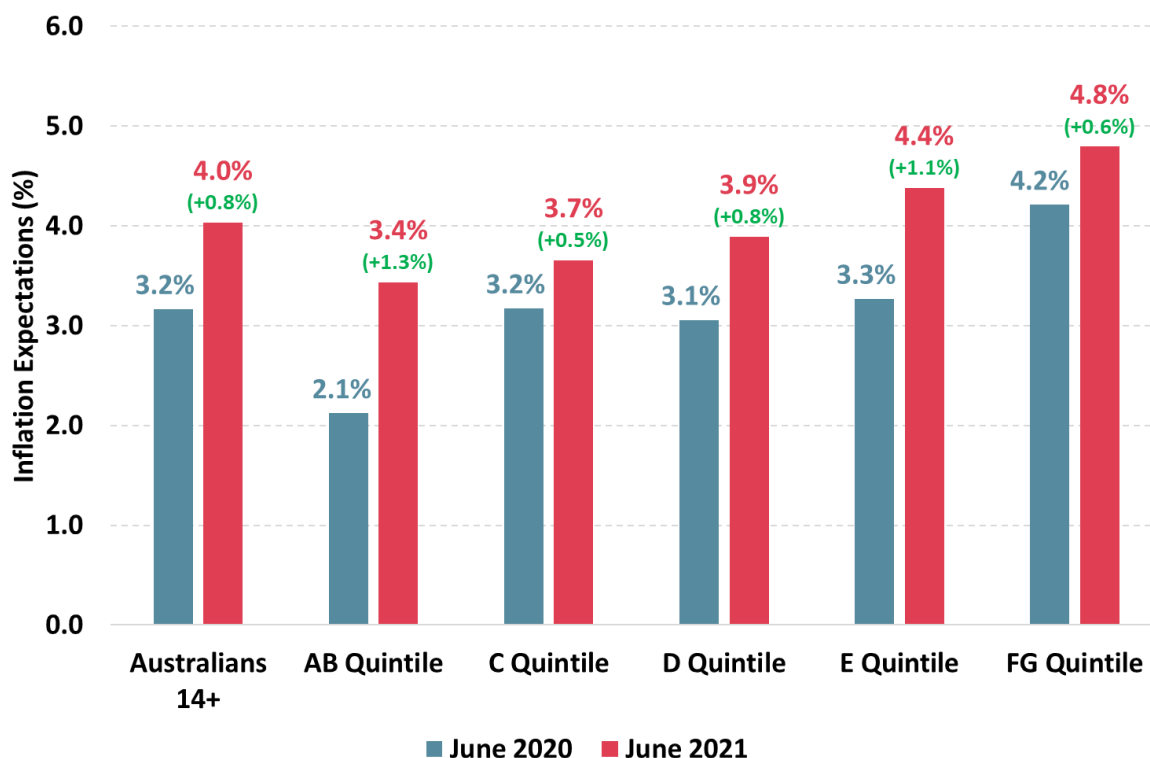
Inflation Expectations are still 0.7% points below their long-term average of 4.7% but are now 0.5% points higher than the 2020 monthly average of 3.5%.

A look at Inflation Expectations by socio-economic quintile shows a strong co-relation between the two. Australians in the highest 'AB Quintile' have the lowest Inflation Expectations at only 3.4% in June, representing an increase of 1.3% points on a year ago – a larger increase than any other socio-economic quintile.

Inflation Expectations are progressively higher for each subsequent socio-economic quintile including 3.7% (up 0.5% points) for the 'C Quintile', 3.9% (up 0.8% points) for the 'D Quintile', 4.4% (up 1.1% points) for the 'E Quintile' and are highest of all for the 'FG Quintile' at 4.8% (up 0.6% points).

The socio-economic quintiles* rank all respondents by considering their education level as well as the income and occupation of the respondent if they're a full-time worker. See below for further details on how the socio-economic quintiles of the population are calculated.

Inflation Expectations by Socio-Economic Quintile: June 2020 cf. June 2021



Source: Roy Morgan Single Source: June 2020, n=5,767; June 2021, n=6,064. **Base:** Australians aged 14+.

FOR IMMEDIATE RELEASE

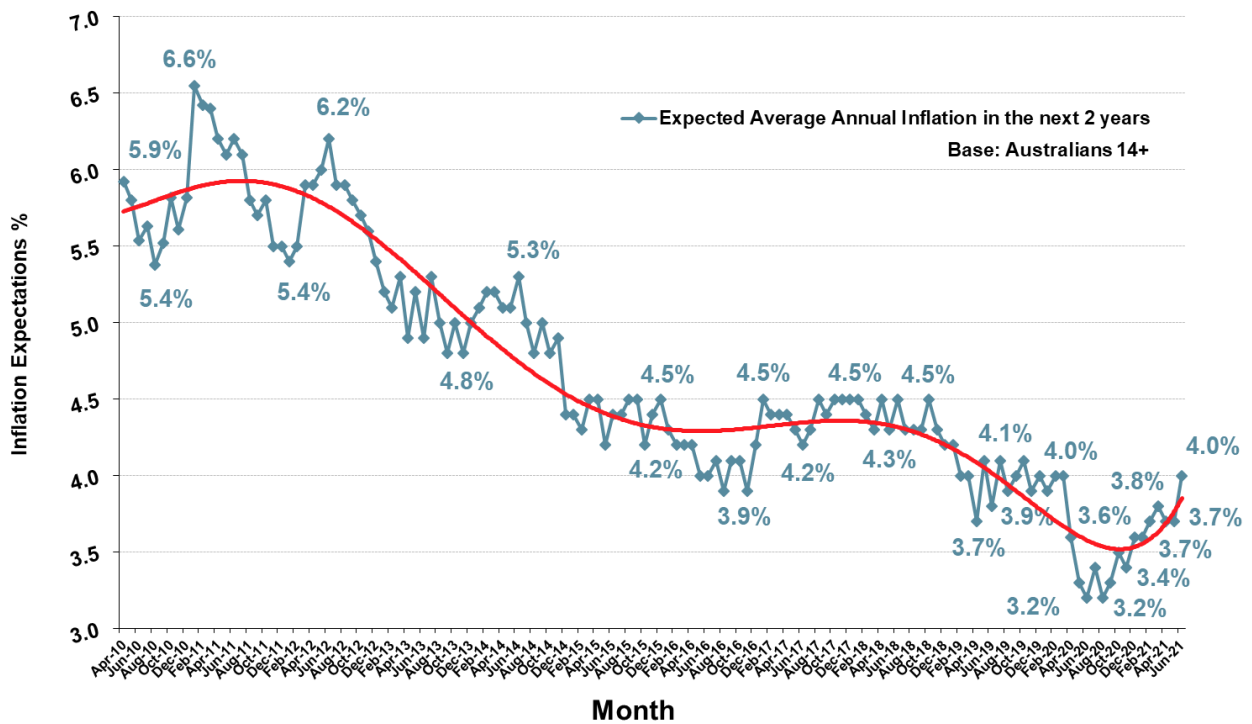
Inflation Expectations are now highest in Tasmania and lowest in South Australia

On a State-based level Inflation Expectations are now highest in Tasmania at 4.3%, an increase of 0.6% points from May. In addition, Inflation Expectations are slightly higher than the national average in both NSW at 4.1% (up 0.3% points) and Queensland at 4.1% (up 0.3% points).

Inflation Expectations in Victoria are in line with the national average at 4.0% (up 0.4% points since May) and Western Australia at 4.0% (up 0.6% points) while South Australia now has the lowest Inflation Expectations at 3.7%, down by 0.3% points.

The [ANZ-Roy Morgan Consumer Confidence Rating for June was at 111.4, an increase of 15.1pts \(+15.7%\) from June 2020](#) a year ago. Since then Consumer Confidence has been hit by the short lockdowns in Brisbane, Perth and Darwin and by the extended lockdown in Sydney and in the first week of July dropped to 107.8 – its lowest for three months since early April.

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 – June 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 have increased to 4% in June – the highest they’ve been since the pandemic began in March 2020 – but the extended lockdown in Sydney risks derailing the economic recovery the longer it continues:

“Inflation Expectations increased by 0.3% points to 4% in June and are now up 0.8% points from a the low-point of June 2020 (3.2%) just as Victoria faced an increase in daily cases of COVID-19 that eventually led to the State being put into lockdown for nearly four months.

“A year later there is a similar dynamic at play with a widening outbreak of COVID-19 in Sydney however there are several key differences this time around. The most important difference is that Sydney has already entered a lockdown in late June whereas the lockdown in Victoria did not occur until there were well over 100 cases per day within the community.

“The second key difference is that the vaccine rollout has begun and although slower than many would have hoped over [9 million vaccine doses have been administered](#) covering around a third

of the population. In the key demographics over 70% of Australians aged 70+ have received a vaccine dose and over 55% of people aged 50+ have received a vaccine dose.

“The increasing rate of vaccination in the most vulnerable populations suggest the current NSW outbreak should not cause the same level of harm and suffering as Victoria’s outbreak a year ago although the economic impact will continue to mount the longer the lockdown goes on.

“Inflation Expectations are a key indicator of economic health and the large increase from a year ago shows the economy is on much firmer footing than during the middle of 2020. Over the year to [March 2021 the ABS GDP figures show the economy grew by 1.1% compared to a year ago](#) – one of the few OECD economies to grow during the first year of the pandemic.

“On a more granular level the Inflation Expectations of Australians across the socio-economic spectrum have all increased strongly from a year ago – with the largest increase for those in the top ‘AB Quintile’ – up 1.3% points to 3.4%.

“However, although the ‘AB Quintile’ has seen the biggest increase Inflation Expectations are progressively higher the lower down the socio-economic ladder one goes. Those in the lowest ‘FG Quintile’ expect prices to rise by an average of 4.8% per year over the next two years indicating that as the economy recovers there is a danger of pricing pressures hitting consumers.

“One of the most sensitive prices most Australians keep an eye on is the price of petrol at the pump which has been rising quickly over recent months. The [latest figures on petrol prices released by the NRMA](#) show the average price of petrol around \$1.60 a litre or higher in Sydney, Melbourne, Brisbane and Perth last week – and set to continue higher in the next few months if the Australian Dollar continues to fall.

“Keeping an eye on the direction of Inflation Expectations allows policy-makers to understand how the underlying dynamics in the economy are impacting on consumers and whether concerns about the prices of goods and services are being felt by the average Australian.”

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 – June 2021 and includes interviews with 6,064 Australians aged 14+ in June 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](#).



*Socio-Economic Status Quintiles

Each respondent is given a score up to 60 according to their status in each of the following categories:

1. EDUCATION LEVEL OF RESPONDENT

There are twelve levels of education. A score of 5 is given to those who completed only some primary school, 10 to those who finished primary school, and so on up to 60 for those who have a degree or post-graduate degree.

2. INCOME OF RESPONDENT (if respondent is a full-time worker)

There are eighteen income levels. A similar scoring procedure is used giving 2 to those in the lowest income group, up to 60 to those in the highest income group.

3. OCCUPATION OF RESPONDENT (if respondent is a full-time worker)

There are twelve occupation levels. Again, each level is scored at approximately 5-point intervals. Professional people receive the highest score. Note - if the respondent is not a full-time worker, then the status of the main income earner is considered.

The respondent's scores for each of the three categories are then tallied to give a score out of 180.

We then look at the frequency distribution of the scores and divide the population into five even groups of 20%, ie. quintiles.

The AB quintile is the highest level - people in this quintile have the highest scores.

Approximate breakdowns are:

Score

154+ - 5th or AB quintile
 126 – 153 - 4th or C quintile
 104 – 125 - 3rd or D quintile
 81 – 103 - 2nd or E quintile
 11 – 80 - 1st or FG quintile

Note - if the respondent is not a full-time worker, then the status of the main income earner is considered.

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.

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) “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							3.8
Monthly Average	4.7	4.8	4.7	4.7	4.7	4.7	4.8	4.7	4.7	4.7	4.7	4.6	4.7

Overall Roy Morgan Inflation Expectations Average: 4.7

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%.