

Friday, 8 October 2021

Inflation Expectations up 0.2% points to 4.5% in September; highest for three years since October 2018

In September 2021 Australians expected inflation of 4.5% annually over the next two years, up 0.2% points and the highest Inflation Expectations for three years since October 2018. Inflation Expectations are now a large 1.2% points higher than a year ago in September 2020 (3.3%).

Inflation Expectations are still 0.2% points below their long-term average of 4.7% but are now a full 1% point higher than the record low 2020 monthly average of 3.5%.

Inflation Expectations are up the most for Australians aged under 60

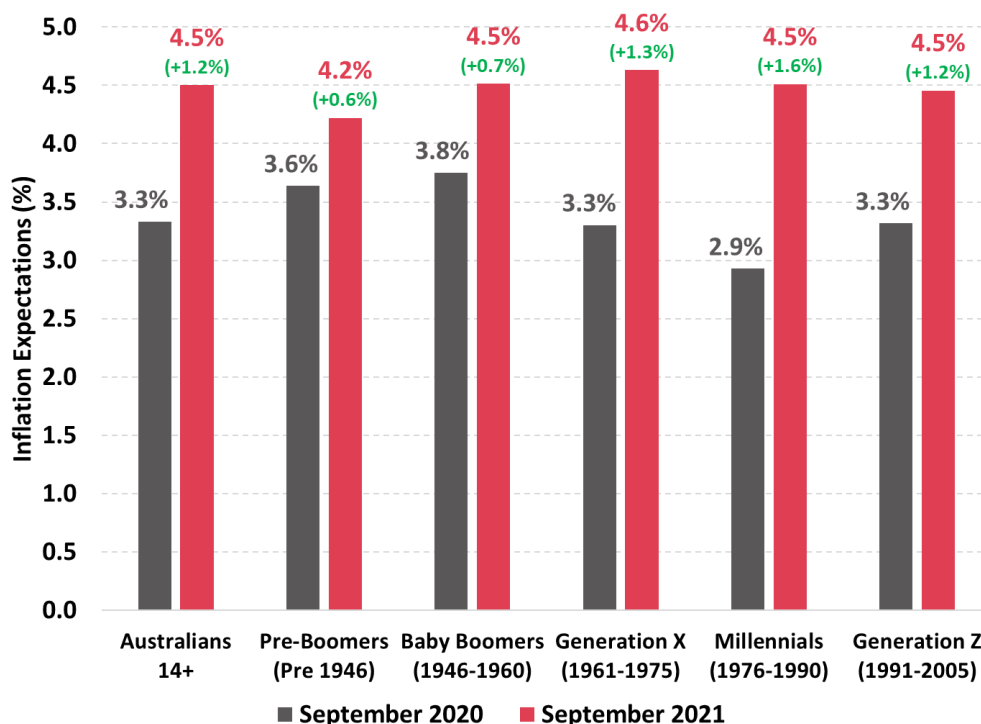
A look at Inflation Expectations by Generations shows there is now agreement between people of different ages about how much prices are set to rise. However, the change from a year ago is starkly different for people over 60 (Pre-Boomers and Baby Boomers) and those under 60 (Gen X, Millennials and Gen Z).

Inflation Expectations have increased across the board but are up rapidly for Australians aged under 60 and have increased the most for Millennials – up 1.6% points from a year ago to 4.5% in September.

Generation X, now aged from 45-60, have the highest Inflation Expectations at 4.6% in September, an increase of 1.3% points from a year ago. The Inflation Expectations of Generation Z have also increased significantly, up 1.2% points to 4.5% - matching the increase of Australians overall.

Although Inflation Expectations for Baby Boomers are in line with the national average at 4.5% this is an increase of only 0.7% points from a year ago while older Australians, aged 75+, the Pre-Boomers, now have the lowest Inflation Expectations at 4.2%, up only 0.6% points from a year ago.

Inflation Expectations by Generation: September 2020 cf. September 2021



Source: Roy Morgan Single Source: September 2020, n=6,092, September 2021, n=6,035. Base: Australians 14+.

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

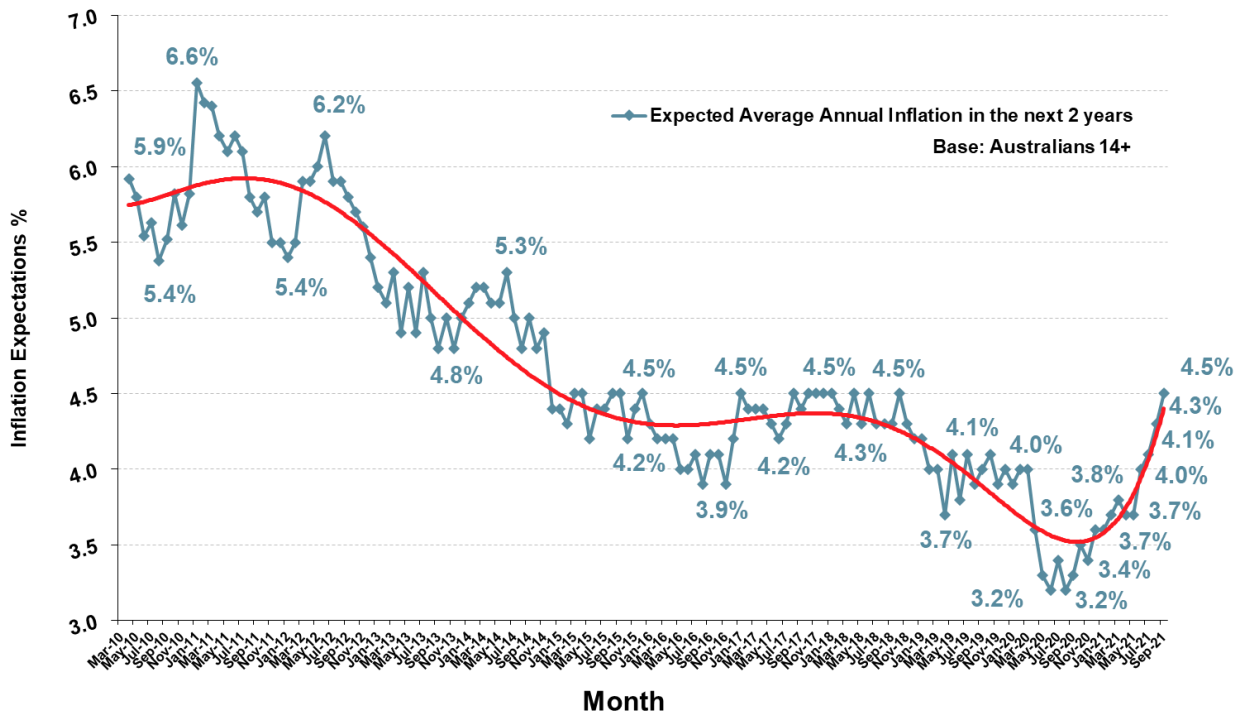
On a State-based level Inflation Expectations are highest and well above the national average in Tasmania at 5.1%. Inflation Expectations are above the national average in New South Wales at 4.7% as the State prepares to re-open.

Inflation Expectations are in line with the national average in both Queensland and Western Australia at 4.5% and slightly below the national average in locked down Victoria at 4.4%.

The outlier this month is again South Australia which has the lowest Inflation Expectations of only 4.0%, the fourth straight month the measure has been lower in South Australia than anywhere else.

The [ANZ-Roy Morgan Consumer Confidence Rating for September was at 101.6, an increase of 9.8pts \(+10.7%\) from September 2020](#) a year ago. The latest Consumer Confidence figure for the first week of October has continued to improve and is now at 104.6 as re-opening plans for Greater Sydney have been brought forward under new Premier Dominic Perrottet.

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-Sept. 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 are on the march in Australia and have now increased for the fourth straight month to 4.5% - their highest for three years:

“Inflation Expectations increased by 0.2% points to 4.3% in September and are now up 1.3% points from the low-point reached just over a year ago in August 2020 (3.2%). This is the biggest ever sustained increase in Inflation Expectations since the index began in 2010, beating an increase of 1.2% points during the ‘Mining Boom’ in 2010-11.

“The increasing Inflation Expectations come despite over half of Australia’s population being in lockdown throughout the month of September although we are fast approaching the end of these lockdowns. Greater Sydney has already reached a full vaccination rate of over 70% and is set to emerge from lockdown this week while the ACT and Greater Melbourne are set to finish their current lockdowns later in October.

“The end of the lockdowns is widely predicted to lead to a surge in retail spending in the closing months of the year as millions of people in Sydney and Melbourne have built up their savings during lockdown without being able to spend their earnings as they are accustomed to.

“A look at Australians by generation shows that although Inflation Expectations are relatively similar across the age groups at present in September, they are increasing far faster for younger generations. Compared to a year ago the Inflation Expectations of Generation X (+1.3% points), Millennials (+1.6% points) and Generation Z (+1.3% points) have increased rapidly.

“The older generations, representing people aged 60+, have seen far smaller increases in Inflation Expectations compared to a year ago – up by 0.6% points for Pre-Boomers and up by 0.7% points for Baby Boomers.

“These results indicate that working families and younger Australians are most keenly impacted by rising prices across the economy. As the Australian economy re-opens over the next few months and over 10 million Australians are released from lockdown and able to spend their money at a greater rate it is likely inflationary pressures will grow.

“Although Australia is yet to fully re-open there are several comparable countries overseas in Europe and North America that have emerged from lockdowns earlier in the year and are also seeing inflationary pressures growing significantly.

“The likelihood inflationary pressures will continue to increase once the lockdowns are over adds another element to the existing issues relating to mandatory vaccinations, vaccine passports, and the re-opening of domestic State borders that the Federal Government will be forced to ‘grapple’ with in the run-up to the next Federal Election due early in 2022.”

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 – September 2021 and includes interviews with 6,035 Australians aged 14+ in September 2021.

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 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	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				3.9
Monthly Average	4.7	4.8	4.7	4.7	4.7	4.7	4.7	4.6	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%.