

Friday, 14 December 2018

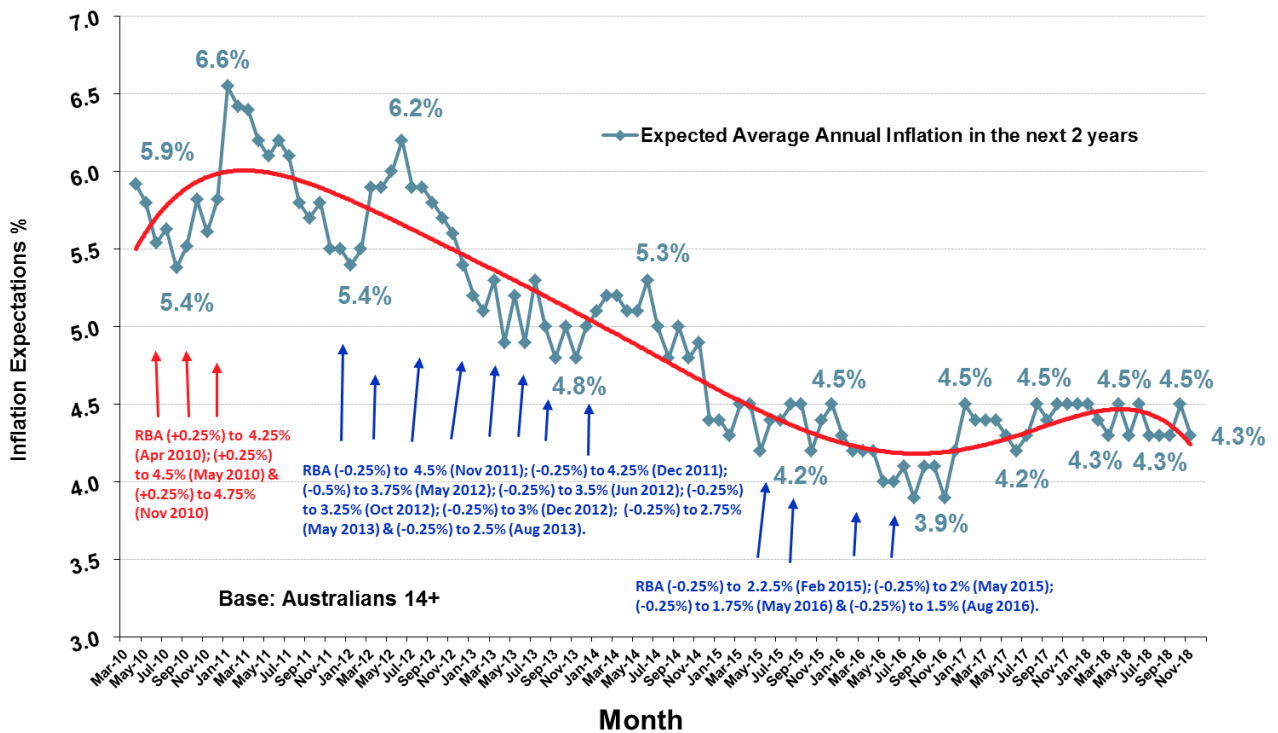
## Inflation Expectations down 0.2% to 4.3% in November

In November Australians expected inflation of 4.3% per year over the next two years. This is down 0.2% on a month ago and down 0.2% on a year ago in November 2017. Inflation Expectations have now tracked in a narrow range between 4.3-4.5% for nearly 18 straight months since mid-2017.

Analysing Inflation Expectations by State shows Inflation Expectations are down for all five mainland States, with the lowest Inflation Expectations now in Western Australia and New South Wales. The only exception is Tasmania for which Inflation Expectations are significantly higher than a year ago. **See below for a full analysis of these results in more detail.**

Inflation Expectations remain well below the eight year average of 5.0%. November Inflation Expectations are based on a nationwide face-to-face survey of 4,408 Australians aged 14+.

### 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+ (April 2010 – November 2018).

### Inflation Expectations unchanged for L-NP & ALP supporters but down for others

Inflation Expectations for L-NP supporters were unchanged at 3.7% in November and remain clearly lower than for supporters of all other parties. Inflation Expectations for ALP supporters were unchanged at 4.2% in November and remain at their lowest for over a year since mid-2017.

In November Inflation Expectations for Greens supporters and supporters of Independents/Others both dropped. Inflation Expectations for Greens supporters dropped by 0.2% to 4.2% and for supporters of Independents/Others dropped by 0.2% to 4.9%.

## Inflation Expectations down in most States but up significantly in Tasmania

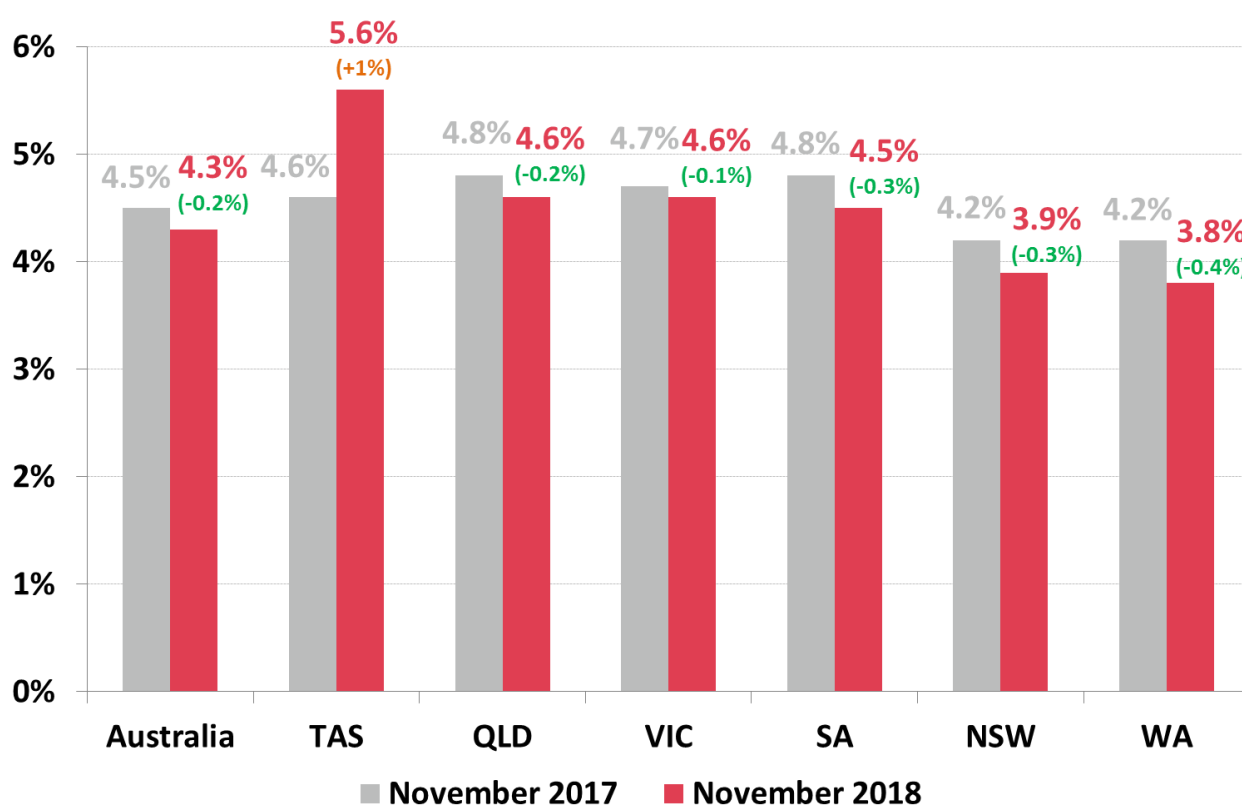
Analysing Inflation Expectations by State shows a consistent trend for the five mainland States with Inflation Expectations down between 0.1%-0.4% from a year ago for all mainland States.

However, Australia's smallest State of Tasmania now clearly has the highest Inflation Expectations of any State with an increase of 1% to 5.6% compared to a year ago.

At the other end of the scale Inflation Expectations dropped by 0.4% to 3.8% in Western Australia and are again the lowest Inflation Expectations of any State although with New South Wales down 0.3% to 3.9% close behind.

Inflation Expectations in Queensland are down 0.2% to 4.6%, are barely changed in Victoria at 4.6%, down 0.1%, and are down 0.3% to 4.5% in South Australia. All three State have slightly higher Inflation Expectations than Australia as a whole on 4.3%.

### Inflation Expectations by State November 2017 cf. November 2018



Source: Roy Morgan Single Source: November 2017, n=4,160 and November 2018, n=4,408. Base: Australians 14+.

**Michele Levine, CEO, Roy Morgan, says overall Inflation Expectations in Australia have fallen across the mainland although the strong increase in Tasmania indicates there is a degree of co-relation between Inflation Expectations and the direction of housing prices:**

*"Roy Morgan Inflation Expectations are 4.3% in November (down 0.2% since October) and also down 0.2% on a year ago. However a longer-term analysis of Inflation Expectations shows the indicator has now been stuck in a narrow band between 4.2-4.5% for two straight years.*

*"The record stability of Australian Inflation Expectations over the last two years closely tracks a record period for Australian interest rates remaining unchanged. The RBA has now left Australian interest rates at a record low of 1.5% for nearly two-and-a-half years since mid-2016.*

*"Although headline Inflation Expectations have been relatively stable over the last two years, a deeper analysis shows there are significant differences between Inflation Expectations in different Australian States.*

*"Inflation Expectations have dropped most significantly in New South Wales, down 0.3% to 3.9%, and Western Australia, down 0.4% to 3.8%, over the last year. These two States now clearly have the lowest Inflation Expectations of any Australian State.*

*"This result will not be a surprise when one considers the trajectory of housing prices in both of these locations. Housing prices in Perth, and regional Western Australia, peaked in mid-2014 and are down more than 20% over the last four years. Similarly, house prices in Australia's largest city of Sydney peaked in July 2017 and have dropped by more than 10% since the peak.*

*"It's true that housing prices in Melbourne peaked later in 2017 and have since declined, however the decline in Melbourne housing prices is to a far smaller extent than either Sydney or Perth. In contrast, housing prices in Brisbane and Adelaide have been relatively stable over the last year while housing prices in the smaller market of Hobart have been up significantly since 2017.*

*"Roy Morgan has analysed the condition of the Australian housing market extensively in recent months including the level of '[mortgage stress](#)' in Australia – [estimated at 1 million mortgage holders](#), the facts regarding '[negative equity](#)' for Australian mortgage holders and big drops in Australian '[home loan intentions](#)' over the last year.*

*"Clearly the state of the Australian housing market plays a key role in driving Inflation Expectations as well as the state of the broader Australian economy. I discussed the interplay between housing prices and key indicators such as those mentioned above with ABC Radio National's David Taylor and the audio of the interview is available to [listen here](#)."*

This in-depth face-to-face research on Australian inflation expectations was conducted during the month of November 2018 with an Australia-wide cross-section of 4,408 Australians aged 14+.

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

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### **Related research findings**

Browse our Online Store for an extensive range of reports on Inflation Expectations and [Consumer Confidence](#), [Business Confidence](#), [Federal voting intention](#) and many other profiles.

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.



## 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 – 2018)

<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>
<b>2010</b>	<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	<b>5.7</b>
<b>2011</b>	6.6	6.4	6.4	6.2	6.1	6.2	6.1	5.8	5.7	5.8	5.5	5.5	<b>6.0</b>
<b>2012</b>	5.4	5.5	5.9	5.9	6.0	6.2	5.9	5.9	5.8	5.7	5.6	5.4	<b>5.8</b>
<b>2013</b>	5.2	5.1	5.3	4.9	5.2	4.9	5.3	5.0	4.8	4.9	4.8	5.0	<b>5.0</b>
<b>2014</b>	5.1	5.2	5.2	5.1	5.1	5.3	5.0	4.8	5.0	4.8	4.9	4.4	<b>5.0</b>
<b>2015</b>	4.4	4.3	4.5	4.5	4.2	4.4	4.4	4.5	4.5	4.2	4.4	4.5	<b>4.5</b>
<b>2016</b>	4.3	4.2	4.2	4.2	4.0	4.0	4.1	3.9	4.1	4.1	3.9	4.2	<b>4.1</b>
<b>2017</b>	4.5	4.4	4.4	4.4	4.3	4.2	4.3	4.5	4.4	4.5	4.5	4.5	<b>4.4</b>
<b>2018</b>	4.5	4.4	4.3	4.5	4.3	4.5	4.3	4.3	4.3	4.5	4.3		<b>4.4</b>
<b>Monthly Average</b>	<b>5.0</b>	<b>4.9</b>	<b>5.0</b>	<b>5.1</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>5.0</b>

**Overall Roy Morgan Inflation Expectations Average: 5.0**

### 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