

Monday, 25 April 2022

Inflation Expectations up a large 0.7% points to 5.8% in March; highest for nearly a decade since September 2012

In March 2022 Australians expected inflation of 5.8% annually over the next two years, up a large 0.7% points from February 2022. The level of Inflation Expectations in March is the highest for nearly a decade since September 2012 (5.8%).

The increase in March was the biggest monthly jump in the index since Inflation Expectations increased by a record 0.8% points in January 2011 to a record high of 6.6% during the middle of the then 'Mining Boom'. Inflation Expectations are now 1.1% points above the long-term average of 4.7% and a large 2% points higher than a year ago in March 2021 (3.8%).

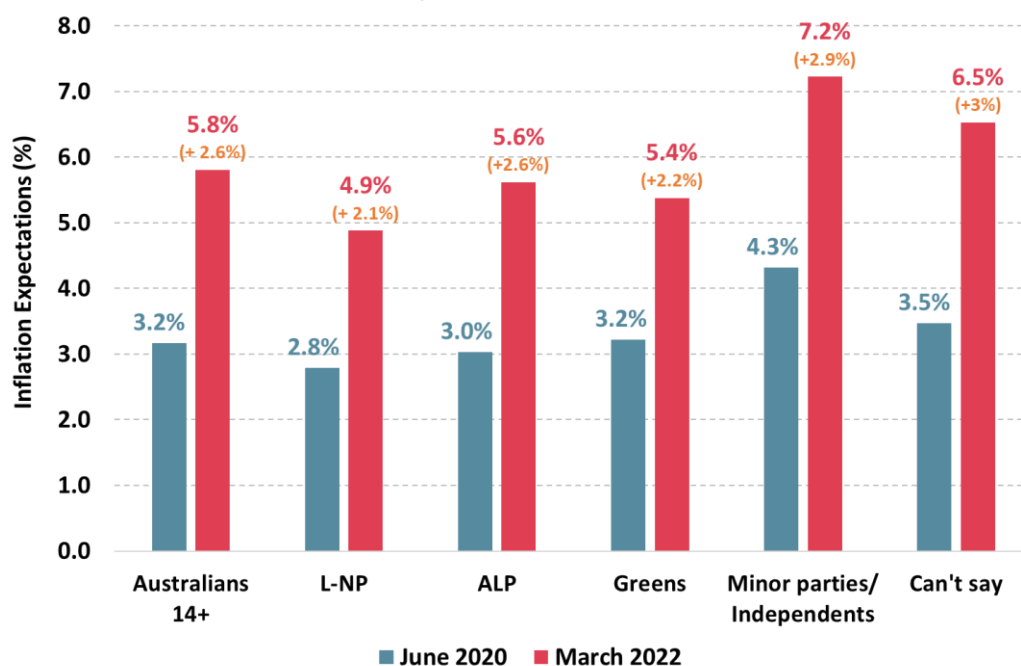
The steep rise in Inflation Expectations in March came as the average Australian petrol price hit a record high of \$2.13 per litre in the week to Sunday March 20¹ before a halving in the petrol excise, and lowering international oil prices, sent the price plunging over the next four weeks.

Inflation Expectations are highest for supporters of 'Minor Parties and Independents'

A look at Inflation Expectations by voting intention shows big increases across the board since the low of Inflation Expectations reached in June 2020 during the first year of the pandemic. Overall, Inflation Expectations are up a large 2.6% points since the low point of June 2020.

Inflation Expectations are highest for supporters of 'Minor parties and Independents' at 7.2%, up a large 2.9% points compared to June 2020. Almost as high are the Inflation Expectations of those who 'Can't say' who they would vote for, up 3% points to 6.5%.

Inflation Expectations by Voting Intention: June 2020 (record low) cf. March 2022



Source: Roy Morgan Single Source: June 2020, n=5,767, March 2022, n=6,065. Base: Australians 14+.

¹ AIP: Australian Institute of Petroleum – Weekly Price Reports (March 20, 2022): <https://www.aip.com.au/pricing/weekly-prices-reports>.

In comparison, the Inflation Expectations of L-NP supporters, ALP supporters and Greens supporters are all lower than the national average. L-NP supporters have the lowest Inflation Expectations in March at only 4.9%, up 2.1% points since June 2020, below Greens supporters on 5.4% (up 2.2% points) and ALP supporters on 5.6% (up 2.6% points).

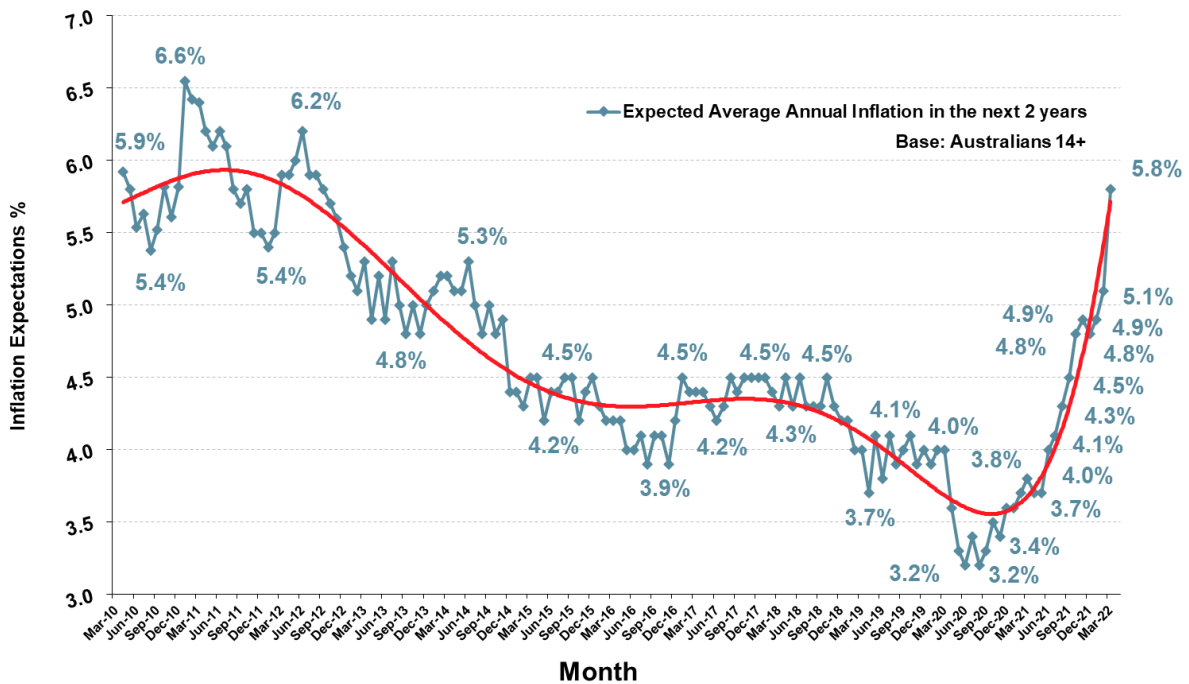
Inflation Expectations continue to be higher in Country Areas (6.3%) than Capital Cities (5.6%)

Inflation Expectations have been consistently higher in Country Areas than Capital Cities since bottoming in mid-2020 during the early stages of the pandemic and that trend continues in the early months of 2022 as the index has soared.

On a State-based level Inflation Expectations were highest in Tasmania at 6.2%. Inflation Expectations were slightly higher than the national average at 5.9% in NSW, Queensland and South Australia.

Inflation Expectations were in line with the national average in Victoria (5.8%) and slightly below the national average in Western Australia (5.7%).

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-March 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 spike in petrol prices following the Russian invasion of Ukraine in late February prompted a large jump in global energy prices, including for petrol in Australia, and this is reflected in Australians’ Inflation Expectations for the month of March:

“Inflation Expectations jumped by 0.7% points to 5.8% in March 2022 – the second biggest monthly jump in the history of the index. The near-record jump has propelled the index to its highest since September 2012 (5.8%) during the middle of the ‘Mining Boom’ a decade ago.

“Of course, there was an obvious factor driving Inflation Expectations higher in March – the Russian invasion of Ukraine which sent energy prices soaring around the world. In Australia the direct impact of the soaring global energy prices was felt at the pump as average petrol prices jumped from \$1.79 per litre in mid-February (before the Russian invasion) to a record high of \$2.13 per litre in mid-March.

“The rapid increase in the price of petrol by 34 cents per litre in only a few weeks came after the petrol price had already increased by 21 cents per litre since the turn of the year. Overall, since late December petrol prices increased 54 cents per litre (+34.2%) to mid-March.

“However, in the Federal Budget at the end of March delivered by Treasurer Josh Frydenberg cut the fuel excise in half. This cut to the fuel excise effectively slashed 25 cents per litre off the price at the bowser, and with falling international oil prices during this period, the average petrol price has now fallen to \$1.66 per litre – down 46 cents per litre (-21.7%) from mid-March.

“This cut to the petrol price has reduced the pressure on Inflation Expectations and the weekly measure has also fallen over the last three weeks as the petrol price has progressively reduced.

“This week the latest ABS quarterly Consumer Price Index for the March quarter 2022 is set to be released and there are expectations of a significant jump in the index. The latest reading for the 12 months to December 2021 showed Australian CPI at only 3.5% - far below international counterparts such as the United States ([8.5% for the 12 months to March 2022](#)), United Kingdom ([7.0% for the 12 months to March 2022](#)) and New Zealand ([6.9% for the 12 months to March 2022](#)).

“The large spike in energy prices in March will flow through to the CPI Index, although this increase only impacted the final month of the quarter so may not have as large an impact as some are expecting. The Australian CPI figures are still set to be well below those of counterparts including the USA, UK and New Zealand.

“Heading towards next month’s Federal Election the prospects of increasing inflation, and the likelihood the RBA will increase interest rates for the first time since November 2010, are playing on the minds of voters.

“A look at how supporters of different political parties regard inflation shows that it is supporters of Minor Parties and Independents who have the highest Inflation Expectations of all at 7.2% - far higher than ALP supporters (5.6%), Greens supporters (5.4%) or L-NP supporters (4.6%).

“These voters are rejecting the major parties and opting for alternatives and it is the high and rising prices they see that play a big part in their decision to find a smaller party to support. The latest [Roy Morgan Poll on Federal Voting Intention](#) shows 29.5% of electors not supporting either of the two major parties – an increase from 25.3% at the 2019 Federal Election.’

“The high inflation conditions many Australians are experiencing are driving people away from both the L-NP and ALP and increasing the chances Australia could end up with a hung Parliament following next month’s Federal Election – which is already tightening as the L-NP recovers ground on the ALP.”

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 – March 2022 and includes interviews with 6,065 Australians aged 14+ in March 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 | | | | | | | | | | 5.2 |
| Monthly Average | 4.7 | 4.7 | 4.8 | 4.7 | 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: 2010-2020.

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%.