



Monday, 21 February 2022

Inflation Expectations up 0.1% points to 4.9% in January; supporters of minor parties have the highest inflation expectations

In January 2022 Australians expected inflation of 4.9% annually over the next two years, up 0.1% points from December 2021. The level of Inflation Expectations in January equals the seven-year high reached in November 2021 – the highest since November 2014.

Inflation Expectations are now 0.2% points above the long-term average of 4.7% and a large 1.3% points higher than a year ago in January 2021 (3.6%).

Inflation Expectations are highest for those voting for minor parties and independents

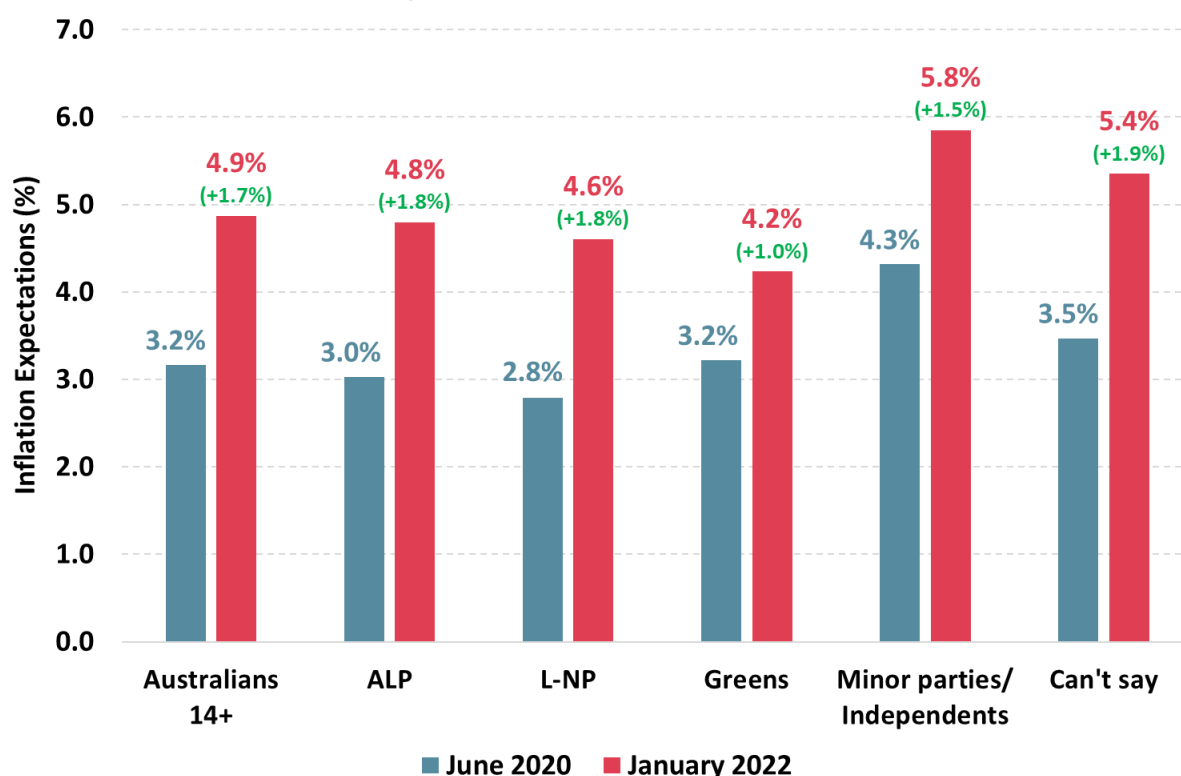
A look at Inflation Expectations by voting intention in January 2022 shows supporters of minor parties and independents have clearly the highest Inflation Expectations at 5.8%, up 1.5% points since June 2020.

At the 2019 Federal Election over one-in-seven electors (14.9%) voted for minor parties and independents. This was an increase of 1.8% points since the 2016 Federal Election and was up 8.3% points since the 2010 Federal Election – a increasingly important part of the electorate.

There is little difference between the Inflation Expectations of ALP supporters (4.8%) and L-NP supporters (4.6%) which are both slightly below the national average (4.9%). The Inflation Expectations of supporters of the major parties have both have increased by 1.8% points since the low point reached in June 2020.

Supporters of the Greens have the lowest Inflation Expectations of all at only 4.2%, an increase of just 1% point since the low reached in June 2020 (3.2%).

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



Source: Roy Morgan Single Source: June 2020, n=5,767, January 2022, n=6,068. Base: Australians 14+.

Inflation Expectations are significantly higher in Country Areas (5.2%) than Capital Cities (4.7%)

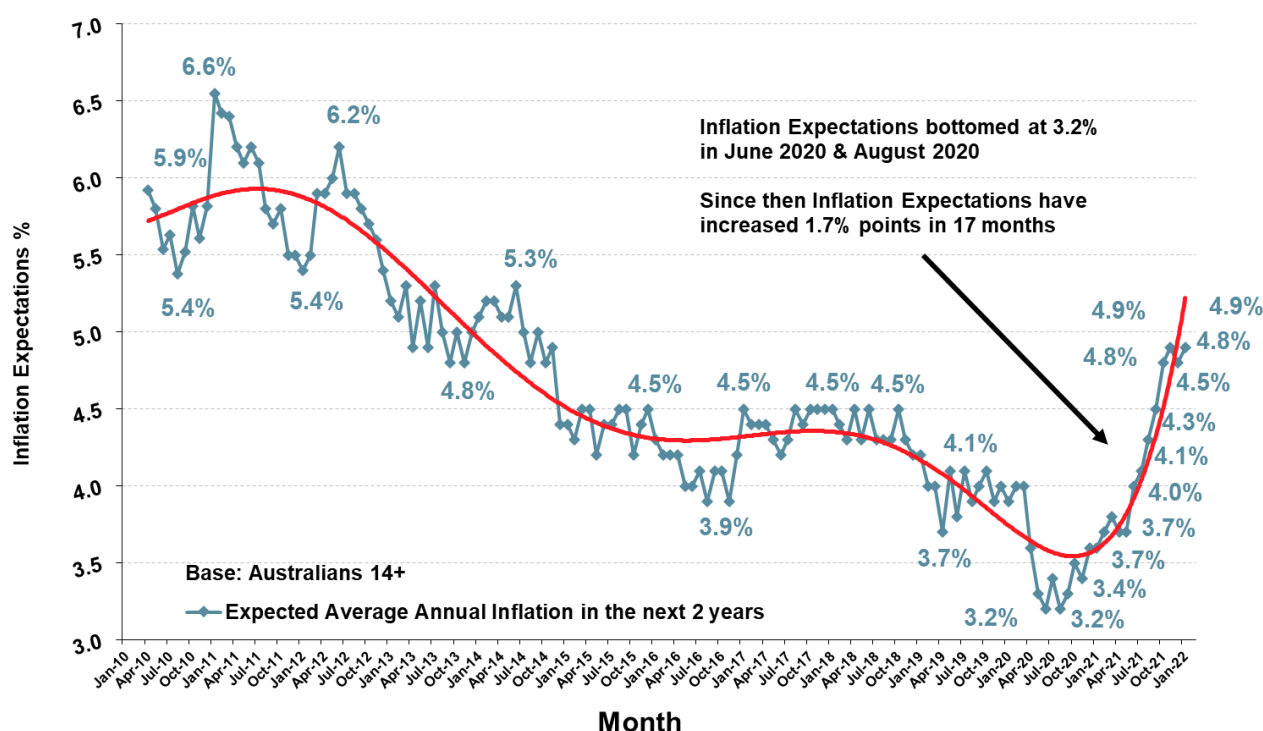
Inflation Expectations have been consistently higher in Country Areas than Capital Cities since bottoming in mid-2020 during the early stages of the pandemic.

On a State-based level Inflation Expectations were highest in Tasmania at 5.5%, a State with a significant regional-based population.

Inflation Expectations were clustered around the national average in New South Wales (5.0%), Victoria (4.9%), South Australia (4.9%) and Queensland (4.8%). All four of these Eastern States were hit hard by the outbreak of the 'Omicron strain' of COVID-19 during January with millions of Australians in these States forced to isolate and take time off work.

Western Australia, the only State that kept its borders closed throughout the month of January and avoided a large outbreak of COVID-19, had clearly the lowest Inflation Expectations of only 4.6% in January.

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-Jan. 2022). 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 0.1% points to 4.9% in January, returning to the seven-year high reached in November 2021 as the Omicron strain caused havoc around the Australian economy throughout the month:

"Inflation Expectations were at 4.9% in January 2022, the 'hottest' start to a year for the measure for eight years since January 2014 (5.1%). Inflation Expectations increased 0.1% points from December 2021 and are now up 1.3% points from a year ago in January 2021 (3.6%)."

"The level of Inflation Expectations are expected to grow this year as inflationary pressures already evident overseas as the 'highly stimulated' global economy continues to recover from the COVID-19 pandemic are expected to exert upward pressure on Australia's inflation rate."

"According to the latest [ABS quarterly Consumer Price Index Australian inflation rose 3.5% over the 12 months to December 2021](#) and was up 1.3% in the quarter. Although this is one of the higher CPI

readings of recent years it is still below the annual rate of 3.8% reached in the 12 months to June 2021 and less than half the current rate of inflation in the [United States at an annual pace of 7.5%](#).

"The prospect of rising inflation in Australia brings the possibility of interest rates increasing to counter higher inflation. However, the RBA has stated that it has no plans to raise interest rates until wage growth in Australia is 'sustainably above an annual rate of 3%'.

"The latest wage growth data from the [ABS shows annual wage growth of only 2.2%](#). The RBA has stated that it does not expect annual wage growth to be sustainably above 3% until late 2023 – well after interest rates overseas are expected to start increasing.

"Before then we have an Australian Federal Election due in the next few months. Interestingly, there is little difference between the Inflation Expectations of ALP supporters (4.8%) and L-NP supporters (4.6%) – however there is a wide divergence for supporters of other parties.

"Supporters of the Greens, who tend to be strongest in the inner city areas of Melbourne and Sydney, have Inflation Expectations of only 4.2% in January 2022 – up only 1% point from the low-point of June 2020. In contrast, supporters of other minor parties and independents have clearly the highest Inflation Expectations of 5.8% - an increase of 1.5% points from the low-point.

"This large divergence highlights the very different constituencies these voters represent compared to the inner-city Greens. Supporters of these minor parties tend to live in outer suburban and rural areas and are very strong in Queensland – Australia's most regional state and home to Pauline Hanson's One Nation, Clive Palmer's United Australia Party (UAP) and Katter's Australian Party (KAP).

"Although these parties are not likely to win many seats in Parliament they did attract the support of around 15% of electors at the 2019 Federal Election. These voters represent an important voting block for Prime Minister Scott Morrison and Opposition Leader Anthony Albanese to bear in mind as they campaign in the run-up to the election due in mid-May.

"The latest Roy Morgan Poll on Federal voting intention show the [ALP 56.5% holds a commanding two-party preferred lead over the L-NP 43.5% in late January 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 – January 2022 and includes interviews with 6,068 Australians aged 14+ in January 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.



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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												4.9
Monthly Average	4.7	4.8	4.7	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%.

