

Tuesday, 15 March 2022

## Inflation Expectations up 0.2% points to 5.1% in February; highest for nearly eight years since June 2014

In February 2022 Australians expected inflation of 5.1% annually over the next two years, up 0.2% points from January 2022. The level of Inflation Expectations in February is the highest for nearly eight years since June 2014 (5.3%).

Inflation Expectations are now 0.4% points above the long-term average of 4.7% and a large 1.4% points higher than a year ago in February 2021 (3.7%).

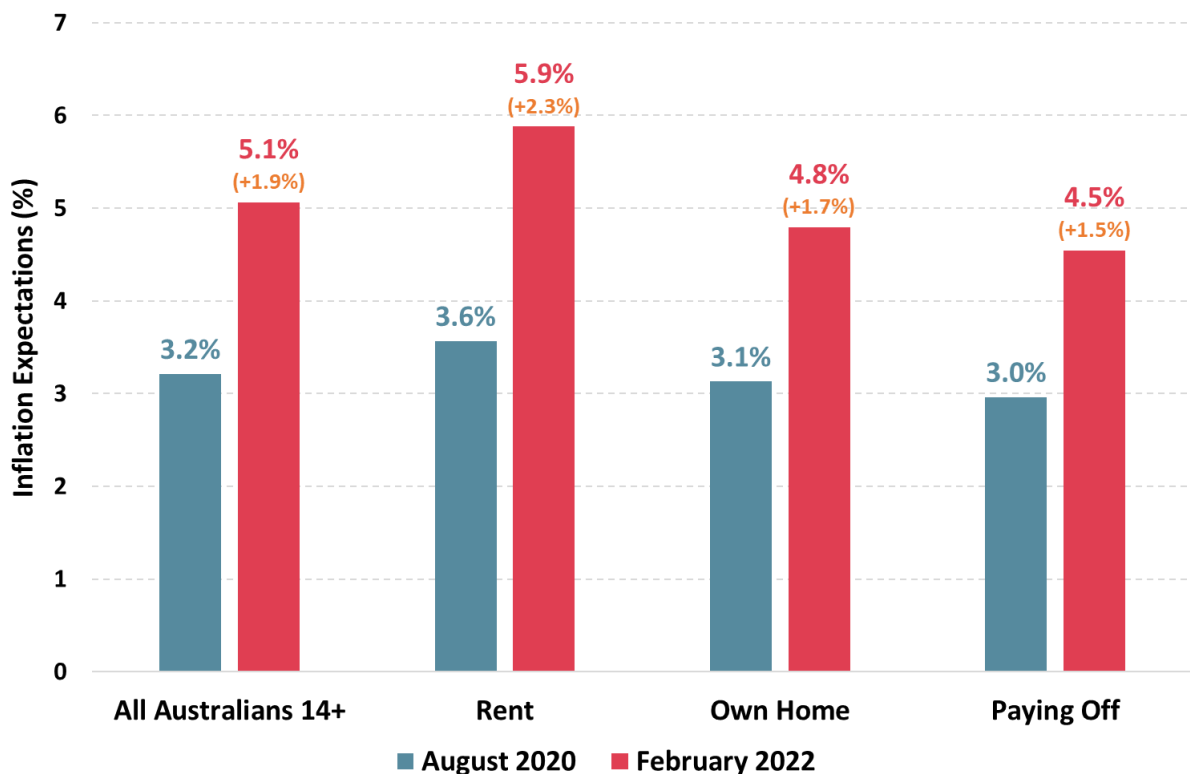
### Inflation Expectations have increased the most for Australians who rent

A look at Inflation Expectations by home ownership status in February 2022 shows renters have clearly the highest Inflation Expectations at 5.9%, up a large 2.3% points since the low point of August 2020.

People who are currently paying off their homes have the lowest Inflation Expectations at only 4.5% (up 1.5% points since August 2020) while those who own their own home now have Inflation Expectations of 4.8% (up 1.7% points).

During this same time period the Inflation Expectations of all Australians have increased by 1.9% points to 5.1%. The changes in Inflation Expectations since mid-2020 when they hit a record low show that clearly the most rapid increase has been for renters who represent just under 30% of all Australians.

### Inflation Expectations by Home Ownership Status: August 2020 (record low) cf. February 2022



Source: Roy Morgan Single Source: August 2020, n=6,119, February 2022, n=6,104. Base: Australians 14+.

FOR IMMEDIATE RELEASE

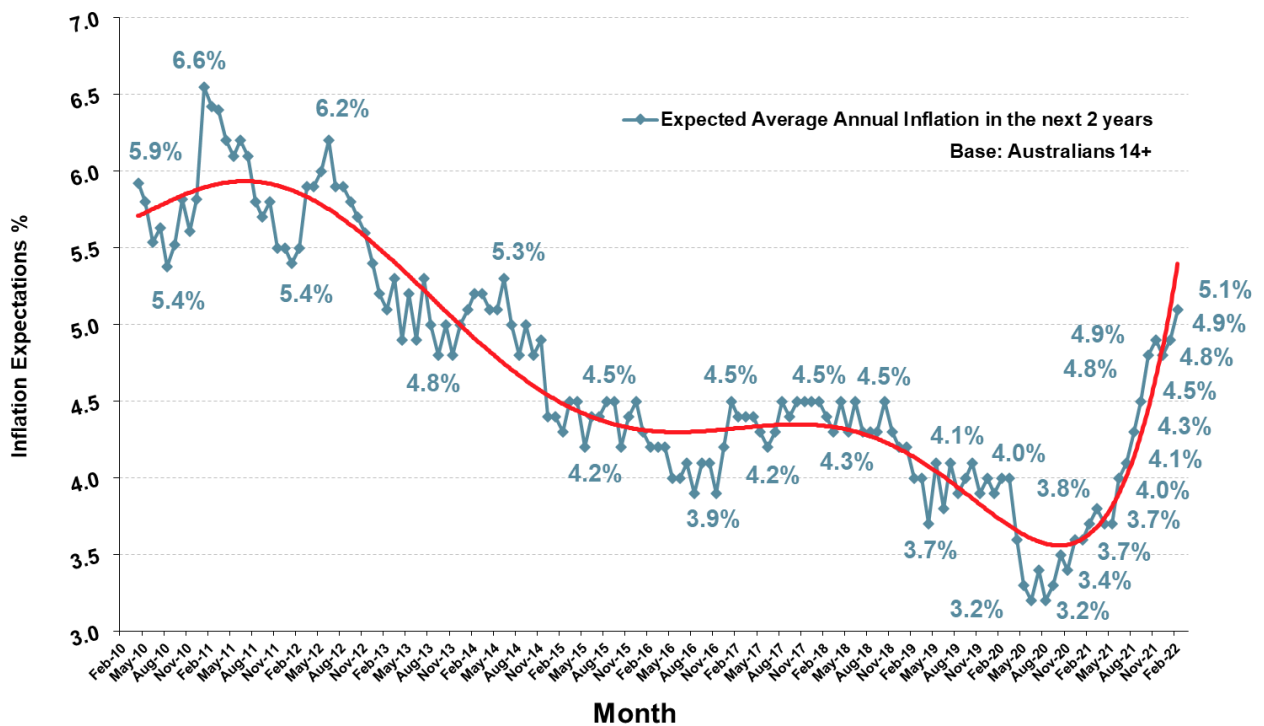
**Inflation Expectations continue to be higher in Country Areas (5.2%) than Capital Cities (5.0%)**

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.

On a State-based level Inflation Expectations were highest in Queensland at 5.5%, a State with a significant regional-based population. Inflation Expectations were also higher than the national average at 5.4% in both Western Australia and South Australia.

Inflation Expectations were slightly below the national average in Tasmania (5.0%) and the two largest States of Victoria (4.9%) and New South Wales (4.8%).

**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-Feb. 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 0.2% points to 5.1% in February, reaching its highest level in nearly eight years largely before the Russian invasion of Ukraine led to rapidly increasing energy prices:**

*“Inflation Expectations increased 0.2% points to 5.1% in February 2022, the highest the measure has been at for almost eight years since June 2014 (5.3%). The increase in Inflation Expectations came largely before the Russian invasion of Ukraine which began in the last few days of the month.*

*“The Russian invasion of Ukraine, which began on Thursday February 24, has caused a round of heavy sanctions against Russian exports and led to a surge in the price of key commodities including oil, gas, coal, wheat and other foodstuffs.*

*“The price of a barrel of oil has now exceeded \$150 AUD since the war began and the upward pressure has already seen petrol prices increase beyond \$2 per litre in many parts of Australia. If the war continues, petrol prices could well go far higher over the next few months.*

*“Although the latest [ABS quarterly Consumer Price Index showed Australian inflation rising by only 3.5% over the 12 months to December 2021](#), this figure is set to rise during 2022 – and especially now with the increasing geo-political tensions in Europe and the heavy sanctioning of Russia.*

*“The biggest concern for the Federal Government as it faces re-election is that wage growth is not keeping up with inflation. The latest [ABS Quarterly Wage Price Index shows an annual increase of 2.3% for wages over the 12 months to December 2021](#) – more than 1% points below the inflation rate.*

*“The rising level of inflation in the economy is hitting some people far harder than others and this disparity is clear when examining Australians by home ownership status. Australians who are renting have easily the highest Inflation Expectations at 5.9% - up a stunning 2.3% points since August 2020 when the measure hit a record low.*

*“In comparison, people who own their home outright have Inflation Expectations of 4.8% (up 1.7% points) and people who are paying off their home have the lowest of all at only 4.5% (up 1.5%). Although Inflation Expectations for renters are generally higher, they have increased far more rapidly for renters over the last 18 months than for homeowners and those paying off their home.*

*“The risk of a spike in inflation in the next few months increases the likelihood the RBA will raise interest rates earlier than initially forecast. Although the RBA has consistently stated that it has no plans to raise interest rates until wage growth in Australia is ‘sustainably above an annual rate of 3%’ the new economic disruptions caused by the conflict between Russia and Ukraine will cause a reassessment if they mean prices persist at a higher-than-expected level over the next few months.*

*“However, although the rising inflation will cause a political headache in the run-up to the Federal Election due in mid-May they are likely to avoid the prospect of the RBA raising interest rates during the middle of an election campaign which may be of small comfort.*

*“The latest Roy Morgan Poll on Federal voting intention taken in the week following the Russian invasion of Ukraine shows the [ALP 56.5% continuing to hold a commanding two-party preferred lead over the L-NP 43.5% in early March 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 – February 2022 and includes interviews with 6,104 Australians aged 14+ in February 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)**

<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>	n/a	n/a	n/a	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>	<b>6.6</b>	<b>6.4</b>	<b>6.4</b>	<b>6.2</b>	<b>6.1</b>	<b>6.2</b>	<b>6.1</b>	<b>5.8</b>	<b>5.7</b>	<b>5.8</b>	<b>5.5</b>	<b>5.5</b>	<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	4.2	<b>4.4</b>
<b>2019</b>	4.2	4.0	4.0	3.7	4.1	3.8	4.1	3.9	4.0	4.1	3.9	4.0	<b>4.0</b>
<b>2020</b>	<b>3.9</b>	<b>4.0</b>	<b>4.0</b>	<b>3.6</b>	<b>3.3</b>	<b>3.2</b>	<b>3.4</b>	<b>3.2</b>	<b>3.3</b>	<b>3.5</b>	<b>3.4</b>	<b>3.6</b>	<b>3.5</b>
<b>2021</b>	3.6	3.7	3.8	3.7	3.7	4.0	4.1	4.3	4.5	4.8	4.9	4.8	<b>4.2</b>
<b>2022</b>	4.9	5.1											<b>5.0</b>
<b>Monthly Average</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.6</b>	<b>4.7</b>	<b>4.7</b>	<b>4.6</b>	<b>4.7</b>	<b>4.7</b>

**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.

<b>Sample Size</b>	<b>Percentage Estimate</b>			
	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%.