



Tuesday, 5 June 2022

Inflation Expectations jump 0.4% points to 5.7% in June as energy (petrol, gas & electricity) and food prices increase rapidly

In June 2022 Australians expected inflation of 5.7% annually over the next two years, up 0.4% points from May 2022 and near the recent high of 5.8% reached in March 2022.

Inflation Expectations in June are a large 1.7% points higher than a year ago in June 2021 and 2.5% points above the record low of only 3.2% reached in June 2020. Inflation Expectations plunged in April and May to 5.3% after former Federal Treasurer Josh Frydenberg cut the petrol excise in half – a cut of about 25 cents per litre – but the measure has now rebounded back towards its recent high.

Inflation Expectations are highest for Australians aged 50-64 at 6.3%

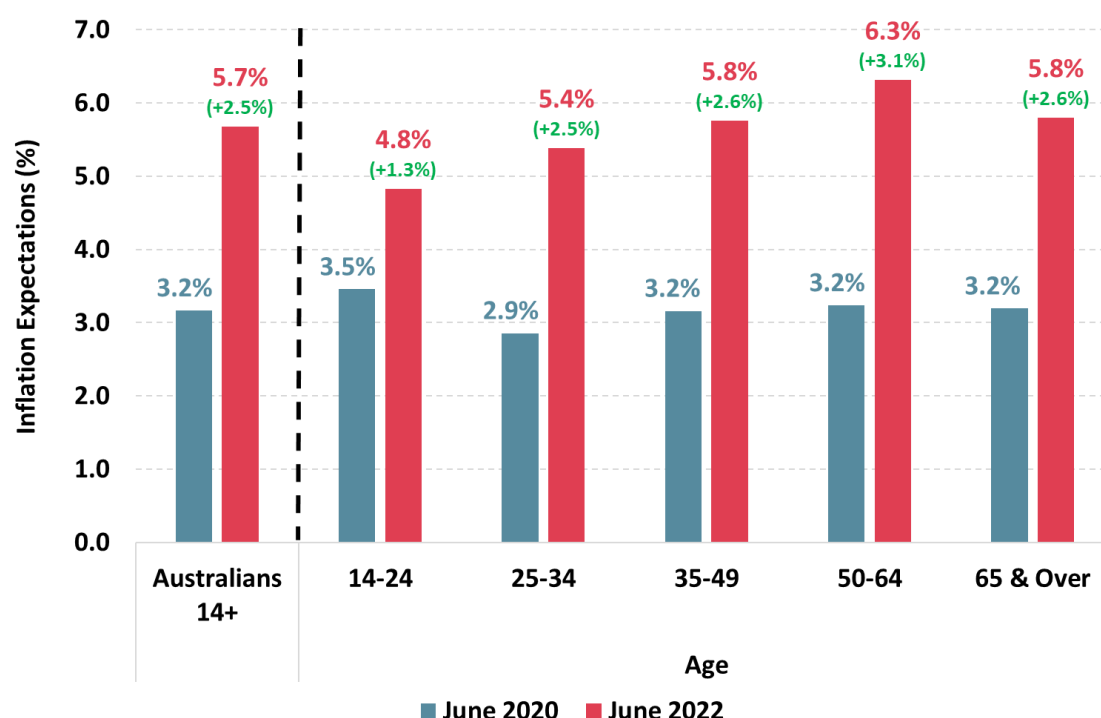
This key measure of sentiment towards prices in the economy has jumped significantly since hitting a record low in June 2020 and especially for Australians aged 50-64. People in this age group have Inflation Expectations of 6.3% in June, nearly doubling, and up 3.1% points, from two years ago.

Inflation Expectations are just above the national average in the two age groups on either side at 5.8% for people aged both 35-49 and 65+. Inflation Expectations for people in both age groups is up a significant 2.6% points from the record low in June 2020.

In contrast Inflation Expectations are below the national average for younger people aged under 35.

For people aged 25-34 Inflation Expectations are now 5.4%, an increase of 2.5% points from two years ago, and are lowest of all for people aged under 25 at just 4.8%, representing an increase of just 1.3% points since the low-point of June 2020 – when the measure was higher for this age group than any other.

Inflation Expectations by age group: June 2020 cf. June 2022



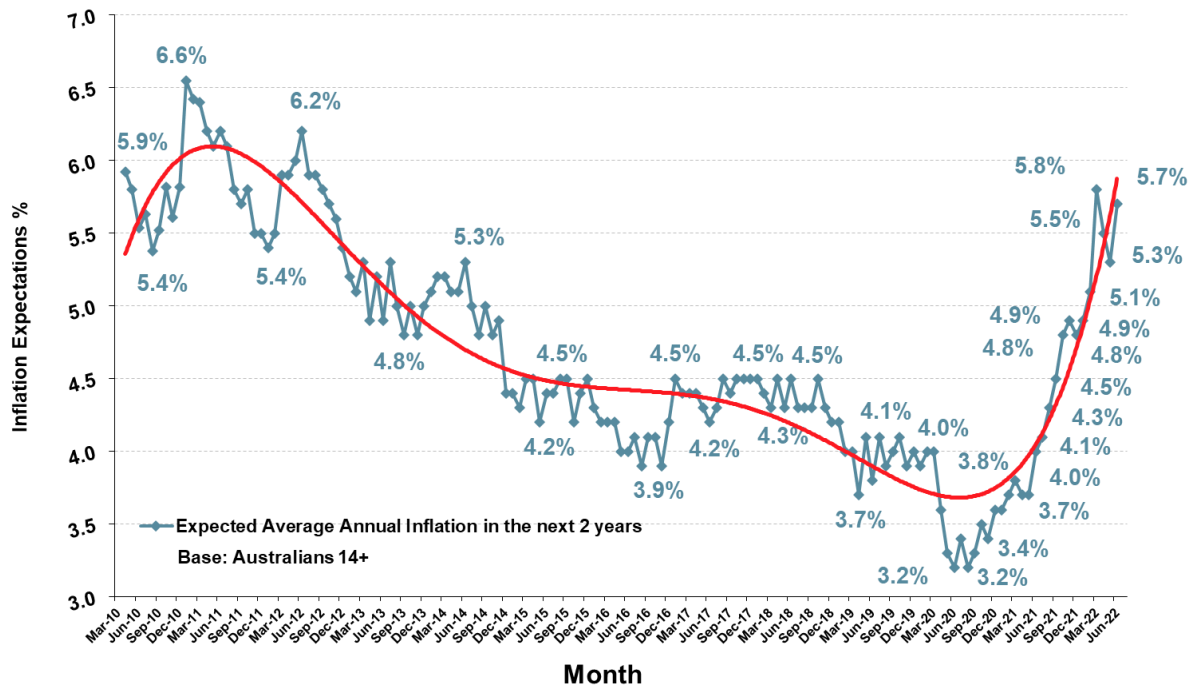
Source: Roy Morgan Single Source: June 2020, n=5,767; June 2022, n=5,945. **Base:** Australians 14+.

Inflation Expectations are highest in NSW & Tasmania and lowest in Victoria

On a State-based level Inflation Expectations were highest in NSW in June at 6.1%, the highest level they've been all year in Australia's largest State. Next highest is Tasmania at 5.9%.

Inflation Expectations in Queensland were in line with the national average at 5.7% while the measure was slightly lower than this in South Australia (5.5%), Western Australia (5.5%) and lowest of all in Victoria at 5.4%.

Inflation Expectations Index long-term trend – Expected Annual Inflation in next 2 years



Source: Roy Morgan Single Source: Interviewing an average of 4,700 Australians aged 14+ per month (April 2010-June 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 rapidly in June, up 0.4% points to 5.7%, as an energy crisis and soaring petrol prices increased price pressures throughout the economy:

"Inflation Expectations increased 0.4% points to 5.7% in June and are now just below the decade high of 5.8% reached in March – before the petrol excise was cut in half (a cut of about 25 cents per litre) by former Treasurer Josh Frydenberg.

"The cut to the petrol excise led to a decline in Inflation Expectations during April and May but over the last six weeks Inflation Expectations have increased rapidly as petrol prices have again surged. Together with rising food and energy prices the level of inflation throughout the economy has clearly been increasing.

"In addition to these pressures the Fair Work Commission also announced an increase to the national minimum wage of 5.2% to \$21.38 per hour which came into force on Thursday July 1.

"The level of inflation has now led the Reserve Bank of Australia to increase interest rates at three consecutive meetings by a total of +1.25%. This is the largest three month rise in official interest rates for nearly three decades since the RBA lifted rates by 2% from October – December 1994.

“The RBA has also indicated there are further increases to interest rate rises to come in the next few months as inflation is not expected to peak until later this year before reducing gradually during 2023.

“The inflation throughout the economy is proving more challenging for some than others. A look at Inflation Expectations by age group shows that it is Australians aged 50-64 who are expecting the highest level of inflation. The Inflation Expectations of people in this age group in June were at 6.3% - well above the national average and nearly double the level from two years ago.

“Interestingly, there is a clear contrast with younger Australians. Two years ago, during the early stages of the pandemic, people aged under 25 had Inflation Expectations of 3.5% - higher than any other age group at the time. However, two years later this age group has the lowest Inflation Expectations at only 4.8% - well below the national average.

“One possible reason for this is that people in this younger age group are the least likely to have taken out a large mortgage loan and won't be as directly impacted by rising interest rates as those in older age groups.

“When we look at Consumer Confidence by housing ownership status we see the biggest hit to confidence has been amongst Australians who are currently paying off their home loans – down by over 20pts since the RBA began its interest rate rising cycle. In contrast, Consumer Confidence for renters (a large portion of the under 25 age group) has been virtually unchanged during this entire period.”

The data for the Inflation Expectations series is drawn from the Roy Morgan Single Source which has interviewed an average of 4,700 Australians aged 14+ per month over the last decade from April 2010 – June 2022 and includes interviews with 5,945 Australians aged 14+ in June 2022.

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

Roy Morgan Enquiries

Office: +61 (3) 9224 5309

askroymorgan@roymorgan.com

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	5.5	5.3	5.7							5.4
Monthly Average	4.7	4.7	4.8	4.8	4.7	4.8	4.7	4.6	4.7	4.7	4.6	4.7	4.8

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: 2010-2022.**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%.

RBA – Interest rate increasing cycle (2022):**2022**

May 2022: +0.25% to 0.35%, June 2022: +0.50% to 0.85%; July 2022: +0.50% to 1.35%.

