

Tuesday, 19 September 2023

Inflation Expectations dropped to 5.4% for the month of August – and have now fallen to 4.9% in mid-September

In the month of August 2023 Australians expected inflation of 5.4% annually over the next two years, down 0.2% points from July 2023. This is down 0.2% points from a year ago in August 2022 (5.6%) and in line with the monthly average so far this year of 5.4%.

Inflation Expectations were down in August and have now dropped in consecutive weeks in September. The latest weekly Inflation Expectations are now at 4.9% in mid-September – the lowest weekly Inflation Expectations for 18 months since early February 2022 – before Russia invaded Ukraine.

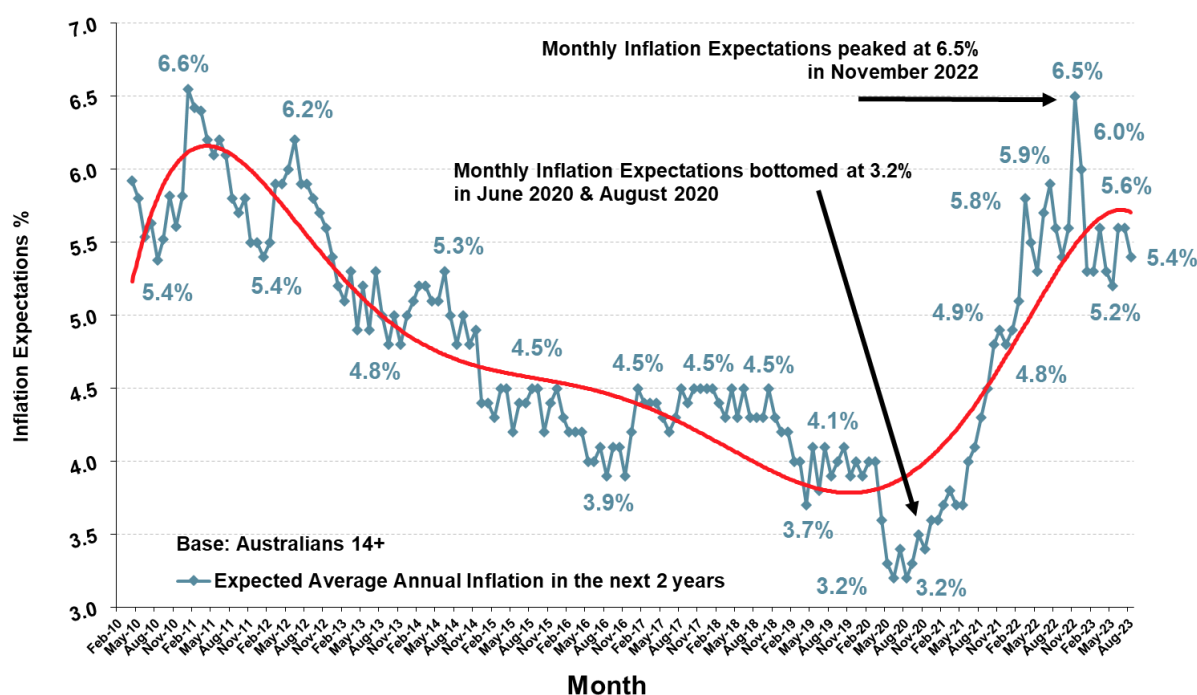
In further good news for those with a mortgage the RBA has now left interest rates unchanged for a third straight month in early September.

The latest information on weekly Inflation Expectations is available to view each week in the [Roy Morgan Weekly Update video on YouTube](#).

The softening in Inflation Expectations in recent weeks suggest the RBA's decision to leave interest rates unchanged during their three meetings in July, August and September may be the correct decision, however there are still significant pressures in the economy. Just this week the average retail petrol price in Australia increased to \$2.04 per litre and has now been above \$2 per litre for five weeks in a row for the first time in over a year since July 2022.

The next monthly ABS CPI estimate is set to be released next week on Wednesday September 27, 2023. The [latest ABS monthly CPI estimate for July 2023 was 4.9%](#), down from 5.4% in the year to June 2023.

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



Inflation Expectations were down in every State except Victoria in August

A look at Monthly Inflation Expectations on a State-based level shows a mixed bag for August with Inflation Expectations down in five States from a month ago, but unchanged in Victoria at 5.4% - in line with the national average.

Inflation Expectations eased slightly in New South Wales, down 0.1% points to 5.7%, and in Queensland, down 0.1% points to 5.6%, but were still above the national average in both States.

The measure also declined in the smaller States of Tasmania, South Australia and Western Australia. In South Australia Inflation Expectations were down 0.3% points to 5.3% and they were down a large 1.5% points to 5% in Tasmania – the largest change for any State during the month of August.

Inflation Expectations in Western Australia remain the lowest of any mainland State – where they have been for the last 11 months since October 2022 – and were down 0.7% points to 4.6%.

Inflation Expectations in Country Areas dropped to 5.8% (down 0.2% points from July) in August. The measure remains significantly lower in the Capital Cities, down 0.2% points to 5.2%.

Roy Morgan CEO Michele Levine says Inflation Expectations dropped 0.2% points to 5.4% in August, and the weekly indicator has continued to drop in the first half of the month to only 4.9% in mid-September – the lowest for over 18 months since February 2022:

“The ANZ-Roy Morgan Inflation Expectations in Australia were down 0.2% points in August at 5.4%. This was the largest monthly fall since April 2023 (down 0.3% points to 5.3%) and this lowering trend has continued through the early weeks of September.

“The good news for borrowers is that the RBA has taken stock of the evolving economic situation in Australia and has now left interest rates unchanged for three straight months in July, August, and September at 4.1% and since then the weekly Inflation Expectations figure has dropped for the last two weeks to only 4.9% - the lowest since early last year.

“Although the drop in Inflation Expectations during August and September is good news, there are signs that it may prove to be short-lived. So far in September the Australian Dollar has hovered consistently below 65 US cents – including hitting a low of only 63.6 US cents.

“The immediate impact of the low Australian Dollar is being felt at the pump with average retail petrol prices averaging \$2.04 per litre last week and above \$2 per litre for the last five weeks. This is the first time since July 2022 petrol prices have been at a sustained high level above \$2 per litre for more than a month.

“Petrol prices are one of the most visible signs of inflation and if they continue to remain at an elevated level above \$2 per litre, or even rise further in the weeks and months ahead, this will clearly increase the general inflationary pressures in the economy.

“If these inflationary pressures in the economy continue to grow there will be renewed pressure on the RBA to increase interest rates again despite pausing and leaving interest rates unchanged at their last three meetings in July, August, and September.

“The next RBA meeting on interest rates will be new Governor Michele Bullock’s first in the top job. Although all the current signs are that the RBA is set to leave interest rates unchanged, as [ANZ economists Adam Boyton and Blair Chapman noted in a research note today](#) the RBA opted for a ‘hawkish pause’ in September as they continued to ‘monitor incoming data and how these alter the economic outlook and assessment of risks.’”

See below for a comprehensive list of RBA interest rate changes during the time-period charted above.

The data for the Inflation Expectations series is drawn from the Roy Morgan Single Source which has interviewed an average of around 5,000 Australians aged 14+ per month over the last decade from September 2013 – August 2023 and includes interviews with 5,982 Australians aged 14+ in August 2023.

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

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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 – 2023)

<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>
2010	<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	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	5.9	5.6	5.4	5.6	6.5	6.0	5.6
2023	5.3	5.3	5.6	5.3	5.2	5.6	5.6	5.4					5.4
Monthly Average	4.8	4.8	4.9	4.8	4.8	4.8	4.9	4.8	4.7	4.8	4.8	4.8	4.8

Overall: Roy Morgan Inflation Expectations Average: 4.8

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.

RBA interest rates changes during the time-period measured: 2010-2023.

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 – 2013

November 2011: -0.25% to 4.5%; December 2011: -0.25% to 4.25%; 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%; 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 – 2016

February 2015: -0.25% to 2.25%; May 2015: -0.25% to 2%; May 2016: -0.25% to 1.75%; August 2016: -0.25% to 1.5%.

2017 – 2018

There were no RBA interest rate changes during 2017-18.

2019 – 2020

June 2019: -0.25% to 1.25%; July 2019: -0.25% to 1%; October 2019: -0.25% to 0.75%; March 4, 2020: -0.25% to 0.5%, March 20, 2020: -0.25% to 0.25% & November 6, 2020: -0.15% to 0.1%.

RBA – Interest rate increasing cycle (2022-23):

2022

May 2022: +0.25% to 0.35%, June 2022: +0.5% to 0.85%; July 2022: +0.5% to 1.35%; August 2022: +0.5% to 1.85%; September 2022: +0.5% to 2.35%; October 2022: +0.25% to 2.6%; November 2022: +0.25% to 2.85% and December 2022: +0.25% to 3.1%.

2023

February 2023: +0.25% to 3.35%; March 2023: +0.25% to 3.6%; May 2023: +0.25% to 3.85%; June 2023: +0.25% to 4.10%.

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