

Tuesday, 24 October 2023

Inflation Expectations in mid-October at 5.7% – significantly higher than in September (5.2%)

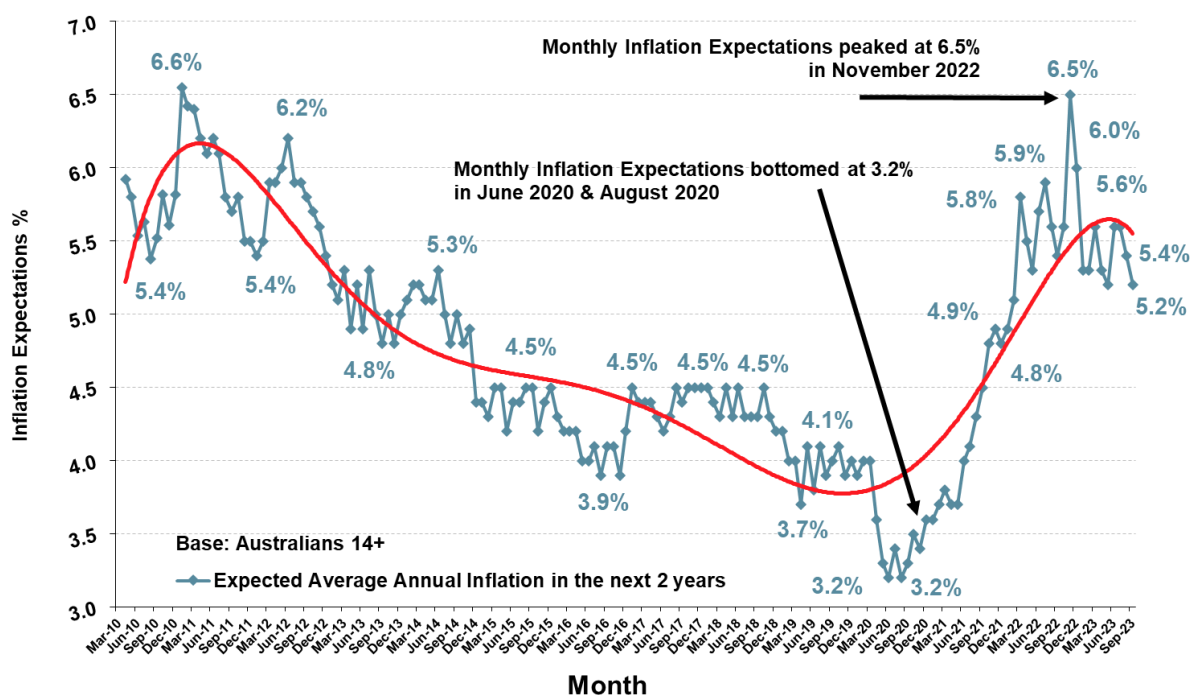
The latest weekly Inflation Expectations are at 5.7% for the week of October 16-22, 2023 – up 0.4% points from a week ago. This is the highest weekly Inflation Expectations have been since the first week of July – over three months ago.

However, a look at the monthly Inflation Expectations for September 2023 shows the measure was down 0.2% points to 5.2%. In the month of September 2023 Australians expected inflation of 5.2% annually over the next two years.

This decline in Inflation Expectations in the month of September 2023 is important given that the next monthly ABS CPI estimate – **for September 2023** – is set to be released tomorrow. The [latest ABS monthly CPI estimate for August 2023 was 5.2%](#), up from 4.9% in the year to July 2023.

These figures shows that although Inflation Expectations were down slightly in September they have since increased significantly over the last few weeks. The latest information on weekly Inflation Expectations is available to view each week in the [Roy Morgan Weekly Update video on YouTube](#).

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



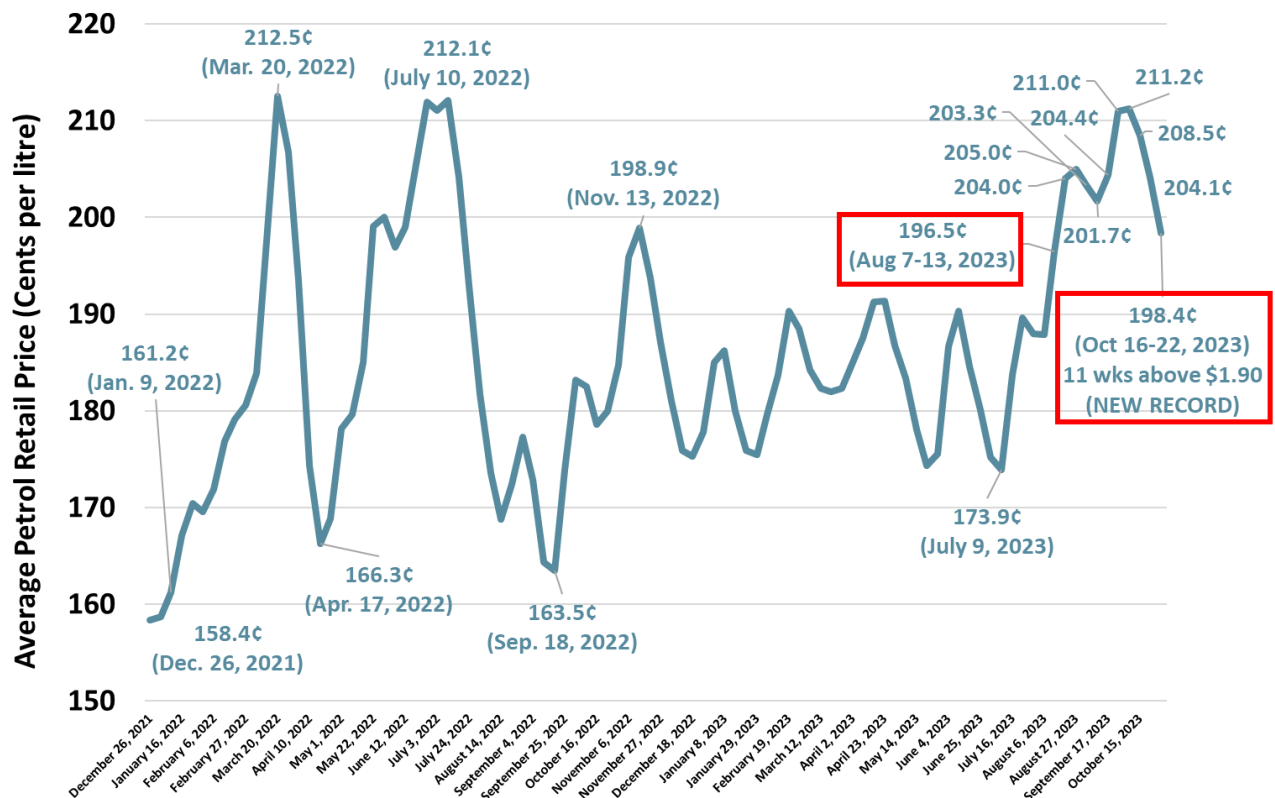
Source: Roy Morgan Single Source: Interviewing an average of 4,800 Australians aged 14+ per month (April 2010 – Sept. 2023).

Record high petrol prices put upwards pressure on Inflation Expectations and Inflation

A leading factor driving the increase in Inflation Expectations in October has been the persistently high retail petrol price – now at an average of \$1.98 per litre in mid-October.

Average retail petrol prices in Australia have now been above \$1.90 per litre for 11 straight weeks, the longest stretch at this high level ever recorded. The previous record stretch above \$1.90 per litre was 10 weeks above this level just over a year ago in May – July 2022.

Australian average retail petrol prices (cents per litre) weekly: 2021 – 2023



Source: Australian Institute of Petroleum (AIP) weekly reports: <https://www.aip.com.au/pricing/weekly-prices-reports>.

Inflation Expectations drop in NSW, Victoria and Queensland in September, up in WA

A look at Monthly Inflation Expectations on a State-based level shows declines in the larger States of NSW, Victoria and Queensland driving the overall monthly decline.

Inflation Expectations in NSW were down 0.4% points to 5.3% - but were still the highest of any State in September. There were also similar sized declines in Queensland, down 0.4% points to 5.2%, and Victoria, down 0.4% to 5.0%.

However, the largest decline was in Tasmania, down 0.5% points to 4.6% - now clearly the lowest Inflation Expectations of any State in Australia for the first time in nearly a year.

In contrast to other States, Inflation Expectations in Western Australia increased rapidly in September, up 0.6% points to 5.2% and are now in line with the national average. Inflation Expectations in South Australia were unchanged at 5.3%.

Inflation Expectations in Country Areas dropped for the second straight month, down 0.5% points to 5.2%, and in line with the national average. Inflation Expectations in Capital Cities were virtually unchanged at 5.1% in September. This is the smallest gap between the two for over a year.

Roy Morgan CEO Michele Levine says weekly Inflation Expectations increased to 5.7% in mid-October, the highest since early July, after a surge in retail petrol prices which have now spent a record 11 straight weeks above \$1.90 per litre:

“ANZ-Roy Morgan Inflation Expectations in Australia increased rapidly in mid-October, up 0.4% points in a week to 5.7%. The increase followed weeks of high retail petrol prices but followed a surprising dip in the index for the month of September, down 0.2% points to 5.2%.

“In fact, Inflation Expectations reached a weekly low of 4.9% in mid-September 2023 but have risen significantly over the last month since then – up by 0.8% points in the last five weeks.

“The rise in Inflation Expectations over the last month has closely followed the decline in the value of the Australian Dollar. In mid-October the Australian Dollar hit a low of 62.9 US cents – its lowest level for nearly a year since November 2022.

“The low value of the Australian Dollar means everything imported to Australia becomes more expensive and this impact is felt most acutely via energy prices as we’ve all seen at the pump over the last few weeks.

“The elevated retail petrol prices, which have now spent nearly three months at record highs above \$1.90 per litre, are generating inflationary pressures in the economy. If these high prices persist the RBA may be forced to increase interest rates again despite pausing and leaving interest rates unchanged at their last four meetings in July, August, September, and October.

“The next RBA meeting on interest rates is in two weeks’ time on Melbourne Cup Day – the penultimate meeting of the year. Although most economists predict the RBA will leave interest rates unchanged for a fifth consecutive meeting, if inflationary pressures continue to build new Governor Michele Bullock may be tempted to raise interest rates for the first time as Governor.

“The key data release for the RBA to consider in the run-up to their meeting in November are the upcoming ABS September quarter and monthly CPI readings due to be released tomorrow on Wednesday October 25.

“As we can see from a look at the trends in Inflation Expectations in September and early October there was a consistent move downward until mid-September but since then Inflation Expectations have increased significantly in a short period of time.

“This variability in Inflation Expectations makes predicting the official ABS quarterly and monthly inflation readings to be released tomorrow difficult, but what is clear is that the ABS figures will have a large bearing on the RBA’s decision making in two weeks.”

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 October 2013 – September 2023 and includes interviews with 6,025 Australians aged 14+ in September 2023.

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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	5.2				5.4
Monthly Average	4.8	4.8	4.9	4.8	4.8	4.8	4.9	4.8	4.8	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](#).

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%.

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.

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



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