

Tuesday, 23 November 2021

Inflation Expectations up 0.1% points to 4.9% in November; highest for seven years since November 2014

In November 2021 Australians expected inflation of 4.9% annually over the next two years, up 0.1% points, and the highest Inflation Expectations for seven years since November 2014.

Inflation Expectations are now 0.2% points above the long-term average of 4.7% and are now a large 1.5% points higher than a year ago in November 2020 (3.4%) – the largest year-over-year increase in the index in the history of the series.

Inflation Expectations for Country Areas are over 0.5% points higher than for Capital Cities

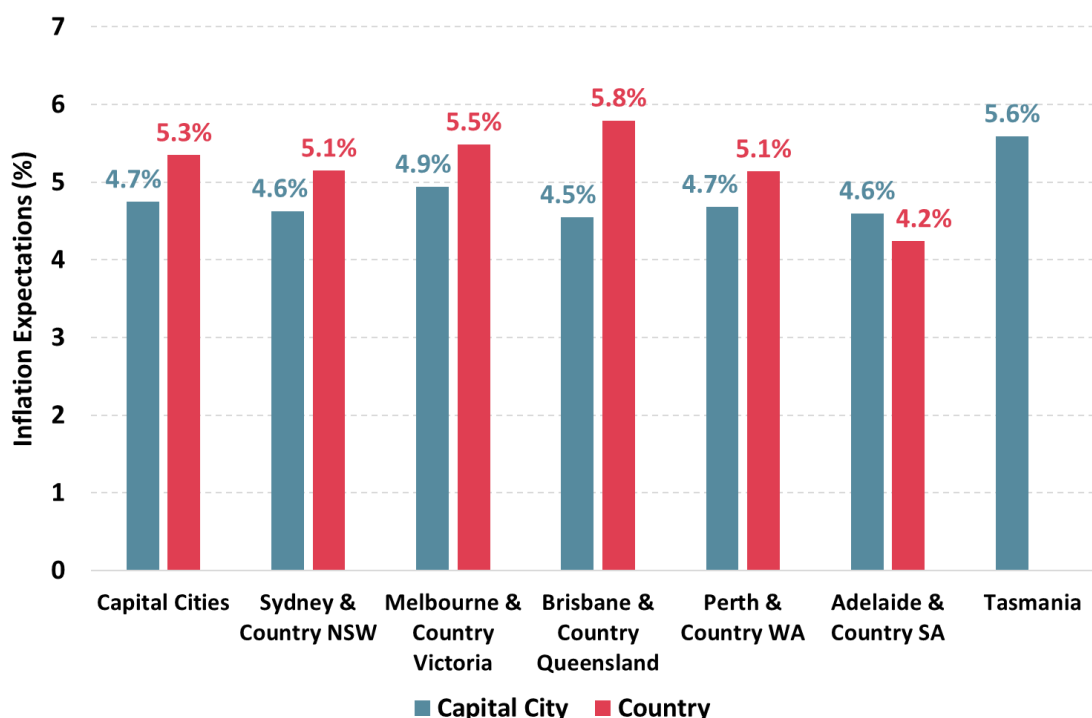
A look at Inflation Expectations by Area shows a significant difference between how people in Capital Cities and Country Areas regard future price movements. Inflation Expectations are higher in the Country Areas of Australia's four largest States compared to the respective Capital Cities.

Australians living in Capital Cities, almost two-thirds of Australia's overall population, expect inflation of 4.7% annually over the next two years (up 1.6% points from the low of 3.1% reached in June 2020) while those living in Country Areas expect far higher inflation, at 5.3% (up 2.1% points from June 2020).

In Australia's largest State people in Country NSW expect inflation of 5.1% compared to 4.6% in Sydney while in Country Victoria expected inflation is 5.5% compared to 4.9% in Melbourne. By far the largest gap is in Queensland at 1.3% points. People in Country Queensland expect inflation of 5.8% (higher than any other Country Area or Capital City) compared to only 4.5% in Brisbane.

The only exception to this trend is in South Australia which has the smallest Country Area of any State. People in Adelaide expect inflation of 4.6% compared to 4.2% in Country South Australia.

Inflation Expectations by Capital Cities & Country Areas: November 2021



Source: Roy Morgan Single Source: November 2021, n=5,994. **Base:** Australians 14+.

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Inflation Expectations by State – highest in Tasmania (5.6%) and lowest in South Australia (4.4%)

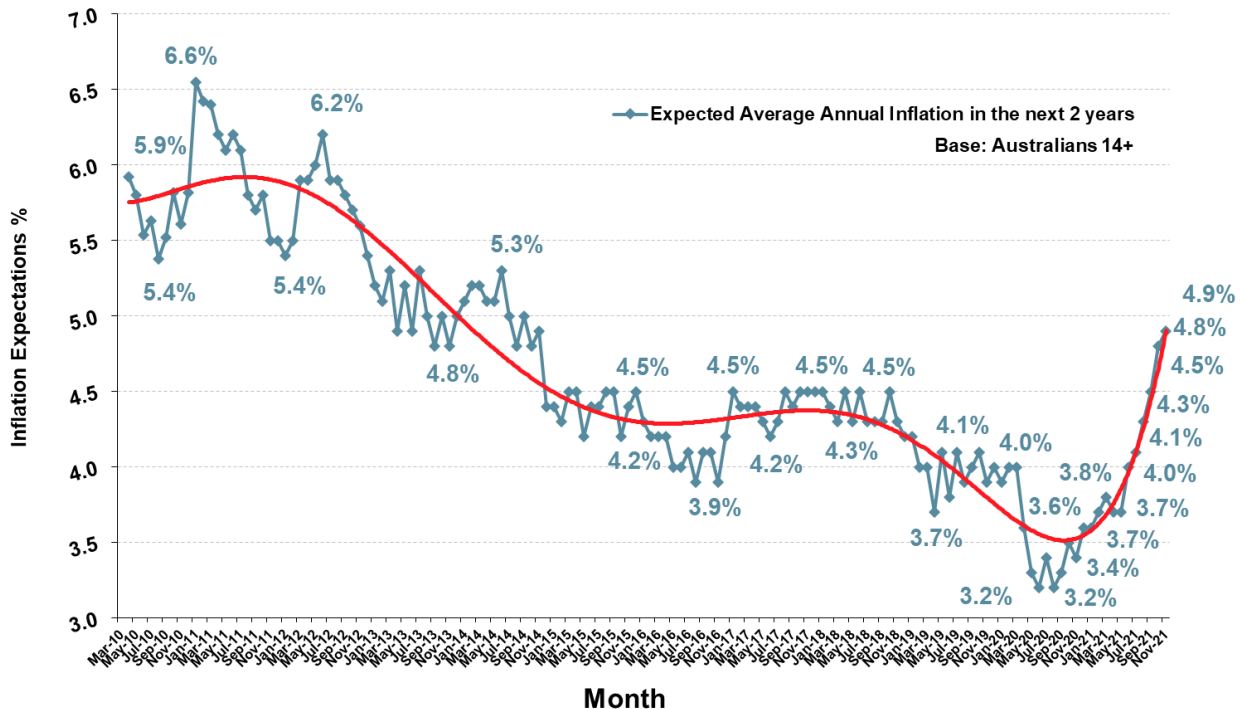
On a State-based level Inflation Expectations are highest in Tasmania at 5.6% and also well above the national average in Queensland at 5.2%, a State with more people living in regional areas than the capital city of Brisbane.

Inflation Expectations are more in line with the national average of 4.9% in Victoria (5.1%), NSW (4.9%) and Western Australia (4.8%).

The outlier this month is South Australia which has the lowest Inflation Expectations of only 4.4%. South Australia is the first State that has had strict domestic border controls to fully re-open to those States which have had large outbreaks of the 'Delta variant' – NSW and Victoria.

The [ANZ-Roy Morgan Consumer Confidence Rating for November was at 107.5, an increase of 5.2pts \(+5.1%\) from November 2020](#) a year ago. The latest Consumer Confidence figure for November 20/21, 2021 was at 107.4 as the measure has stabilised at that level throughout the month.

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-Nov. 2021).

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 have continued to increase in Australia and now up for an unprecedented sixth month in a row, up 0.1% points to 4.9%:

“Inflation Expectations have increased rapidly over the last year and are now up 1.7% points since August 2020 (15 months ago) – increasing at a rate faster than 0.1% points per month. This is the largest cycle of increases in the history of the index, easily beating an increase of 1.2% points during the ‘Mining Boom’ in 2010-11 (from 5.4% in August 2010 to 6.6% in January 2011).

“Inflation Expectations are now at their highest for seven years since November 2014 (4.9%) and there is every reason to expect the measure will continue to increase over the next few months as energy prices remain elevated and there are continuing issues with supply chains worldwide.

“One of the most visible signs of inflationary pressures is the price of petrol at the pump. The average petrol price in Australia is well over \$1.60 per litre and with an average price as high as [\\$1.80 per litre in Melbourne and \\$1.85 per litre in Brisbane](#). This compares to the comparatively lower \$1.59 per litre in Sydney – and perhaps goes some way to explaining why inflation expectations are higher in both Queensland (5.2%) and Victoria (5.1%) than NSW (4.9%).

“One of the key divisions emerging around Australia is the large difference between Inflation Expectations in Country Areas of Australia compared to Capital Cities. The Inflation Expectations of people in Country Areas are now at 5.3% - over 0.5% higher than in Capital Cities at 4.7%.

“This difference is seen around Australia with the largest differential seen in Australia’s most decentralised State of Queensland. The Inflation Expectations of people in rural and regional Queensland are at 5.8% - over 1% point higher than in Brisbane at 4.5%.

“The same trend for Inflation Expectations is seen in New South Wales: Country Areas (5.1%) cf. Sydney (4.6%); Victoria: Country Areas (5.5%) cf. Melbourne (4.9%); and Western Australia: Country Areas (5.1%) cf. Perth (4.7%).

“The large differences between people in rural and regional areas and those in the largest Capital Cities is set to be a crucial area for the major parties heading towards next year’s Federal Election due by May 2022.

“The impact of rising prices, and the possibility inflation will increase even further next year, are sure to be front and centre issues for the electorate as we consider whether to re-elect the L-NP Government for a fourth term.”

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 – November 2021 and includes interviews with 5,994 Australians aged 14+ in November 2021.

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 79 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 – 2021)

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		4.1
Monthly Average	4.7	4.8	4.7	4.7	4.7	4.7	4.7	4.6	4.7	4.7	4.6	4.6	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%.

