

Melbourne Institute Survey of Consumer Inflationary Expectations

Inflationary expectations fell in December

The expected inflation rate (30-per-cent trimmed mean measure), reported in the Melbourne Institute Survey of Consumer Inflationary Expectations, fell by 0.7 percentage points to 3.4 per cent in December from 4.1 per cent in November.

In December, the proportion of respondents (excluding the 'don't knows') expecting the inflation rate to fall within the 0-5 per cent range rose to 77.6 per cent from 73.1 per cent in November. This is mainly due to the rise in the cluster of responses around expected price changes of 0-2 per cent. The weighted mean of responses within the 0-5 per cent range fell by 0.1 percentage points in December to 2.6 per cent, and it has been stable around this level since June 2014.

This month's survey also includes quarterly information on past and future pay growth in Australia. Actual pay growth over the 12 months to December 2014 rose by a full percentage point to 3.5 per cent from 2.5 percent in the 12 months to September 2014. Expected pay growth in the coming 12 months rose to 2.2 per cent in December from 1.7 per cent in September.

According to Dr. Viet Nguyen, a Research Fellow at the Melbourne Institute, "Despite the latest improvement, the expected pay growth remains modest and continues to reflect consumers' expectations of moderate economic activity in the coming months."

The January 2015 Survey of Consumer Inflationary Expectations will be released at 11am AEST, Thursday 22 January 2015.

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The Melbourne Institute Survey of Consumer Inflationary Expectations measures are designed to represent the average householder's expected rate of consumer price changes over the coming 12 months. Further information can be found by visiting: www.melbourneinstitute.com/miaesr/publications/indicators/cie.html

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