

Melbourne Institute Survey of Consumer Inflationary Expectations

Inflationary expectations fell in March

The expected inflation rate, reported in the Melbourne Institute Survey of Consumer Inflationary Expectations, fell by 0.2 percentage points to 2.1 per cent in March from 2.3 per cent in February. It is now just above the lower bound of the Reserve Bank of Australia's (RBA) target band of 2-3 per cent.

This month's survey also includes quarterly information on past and future pay growth in Australia. Actual pay growth over the 12 months to March 2014 declined to 2.5 per cent from 3.3 per cent in the 12 months to December 2013. Expected pay growth in the coming 12 months dropped to 1.8 per cent from 3.2 per cent in December 2013.

According to Dr. Viet Nguyen, a Research Fellow at the Melbourne Institute, "Despite recent upticks the consumer expected inflation rate has remained fairly moderate. This together with modest expected pay growth over the next 12 months of just 1.8 per cent, indicates that consumers continue to expect moderate economic activity in the coming 12 months. Moreover, the modest pay expectations in March suggest that consumers' concerns about future job prospects may be turning into pessimism about future pay growth."

The April 2014 Survey of Consumer Inflationary Expectations will be released at 11am AEST, Thursday 10 April 2014.

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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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