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Melbourne Institute Survey of Consumer Inflationary Expectations

Inflationary expectations rose in December

The expected inflation rate (30-per-cent trimmed mean measure), reported in the Melbourne Institute Survey of Consumer Inflationary Expectations, rose by 0.5 percentage points to 4.0 per cent in December from 3.5 per cent in November.

In December, the weighted proportion of respondents (excluding the 'don't know's) expecting the inflation rate to fall within the 0-5 per cent range fell by 4.2 percentage points to 74.2 per cent from 78.4 per cent in November. However, while the proportion of responses within the 0-5 per cent range is less than last month's, the weighted mean of responses within this range remains unchanged at 2.7 per cent (suggesting that the percentage loss was shared relatively evenly at both ends).

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 2015 fell by 0.9 percentage points to 3.0 per cent from 3.9 per cent (over the 12 months to September 2015). In December, 57.1 per cent of respondents reported a rise in total pay while 9.7 per cent reported a fall. Pay expectations in the coming 12 months fell to 1.6 per cent in December from 2.9 per cent in September. In 2015, reported growth in total pay averaged at 3.7 per cent, up from an average of 2.7 per cent in 2014. Despite this improvement in actual pay growth, expected pay growth in 2015 remains modest and unchanged from 2014, at an average of 1.9 per cent. This is likely a reflection of concerns among consumers about weaknesses in labour market conditions and in overall economic translating into weak expected pay growth.

The January 2016 Survey of Consumer Inflationary Expectations will be released at 11 am AEST, Thursday, 21 January 2016.

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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 in the attached report or by visiting: www.melbourneinstitute.com/miaesr/publications/indicators/cie.html

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