



Media Release Embargoed until 11:00am AEDT, Thursday 10 December 2020

Melbourne Institute Survey of Consumer Inflationary and Wage Expectations

Inflation expectations largely unchanged in December, although the proportion of consumers expecting prices to fall continues to decline. Wage expectations remain weak.

The expected inflation rate (30-per-cent trimmed mean measure), reported in the Melbourne Institute Survey of Consumer Inflationary and Wage Expectations, was unchanged in December at 3.5 per cent. However, the proportion of respondents expecting an increase in prices rose by 1.4 percentage points in December.

In terms of total pay, growth over the year to December 2020 was 0.7 per cent, a rebound from the negative annual rate of growth reported in November. In December, 27.5 per cent of respondents reported an increase in total pay, while 17.7 per cent reported a fall. Total pay was expected to grow by 1.1 per cent over the year.

Dr Tsiaplias notes that “the proportion of respondents expecting prices to rise exceeded 50 per cent for a second month, after falling to below 50 per cent from July to October. Moreover, the proportion of respondents expecting a decline in prices fell for the fourth consecutive month in December. The results suggest a reversion to more normal price expectations. However, consumers remain pessimistic about future wage growth, expecting only a 1.1 per cent increase over the next 12 months. December’s wage expectations are also well below those observed in December 2019, when consumers expected relatively normal 12-month annual wage growth of 2.2 per cent.”

The January 2021 Survey of Consumer Inflationary Expectations will be released at 11am AEDT, Thursday, 21 January 2021.

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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: <https://melbourneinstitute.unimelb.edu.au/publications/macroeconomic-reports>

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