Inflation expectations fall heavily in May. Expected pay growth continues to be weak.

The expected inflation rate (30-per-cent trimmed mean measure), reported in the Melbourne Institute Survey of Consumer Inflationary and Wage Expectations, fell by 1.2 percentage points in May to 3.4 per cent. The proportion of responses expecting an increase in prices also fell by 3.7 percentage points in May to below 50 per cent.

Total pay growth over the year to May 2020 was 1.7 per cent, seemingly back to trend after the unprecedented low rate of growth in April. In May, 17.7 per cent of respondents reported a decrease in total pay (compared to 15.1 per cent last month). Total pay was expected to grow by only 0.6 per cent over the year, reflecting a large fall in wage expectations from March’s 1.5 per cent expected annual wage growth.

The June 2020 Survey of Consumer Inflationary Expectations will be released at 11am AEST, Thursday, 11 June 2020.

ENDS

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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