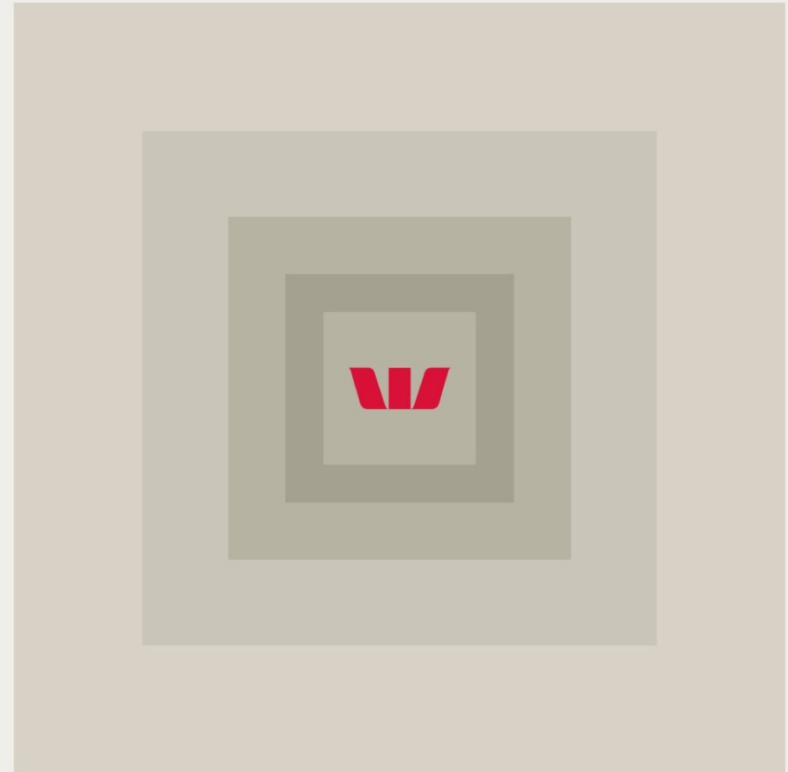


Melbourne Institute Consumer Sentiment

Inflation expectations
chart pack.

April 2014



Melbourne Institute

Consumer inflationary expectations March 2014

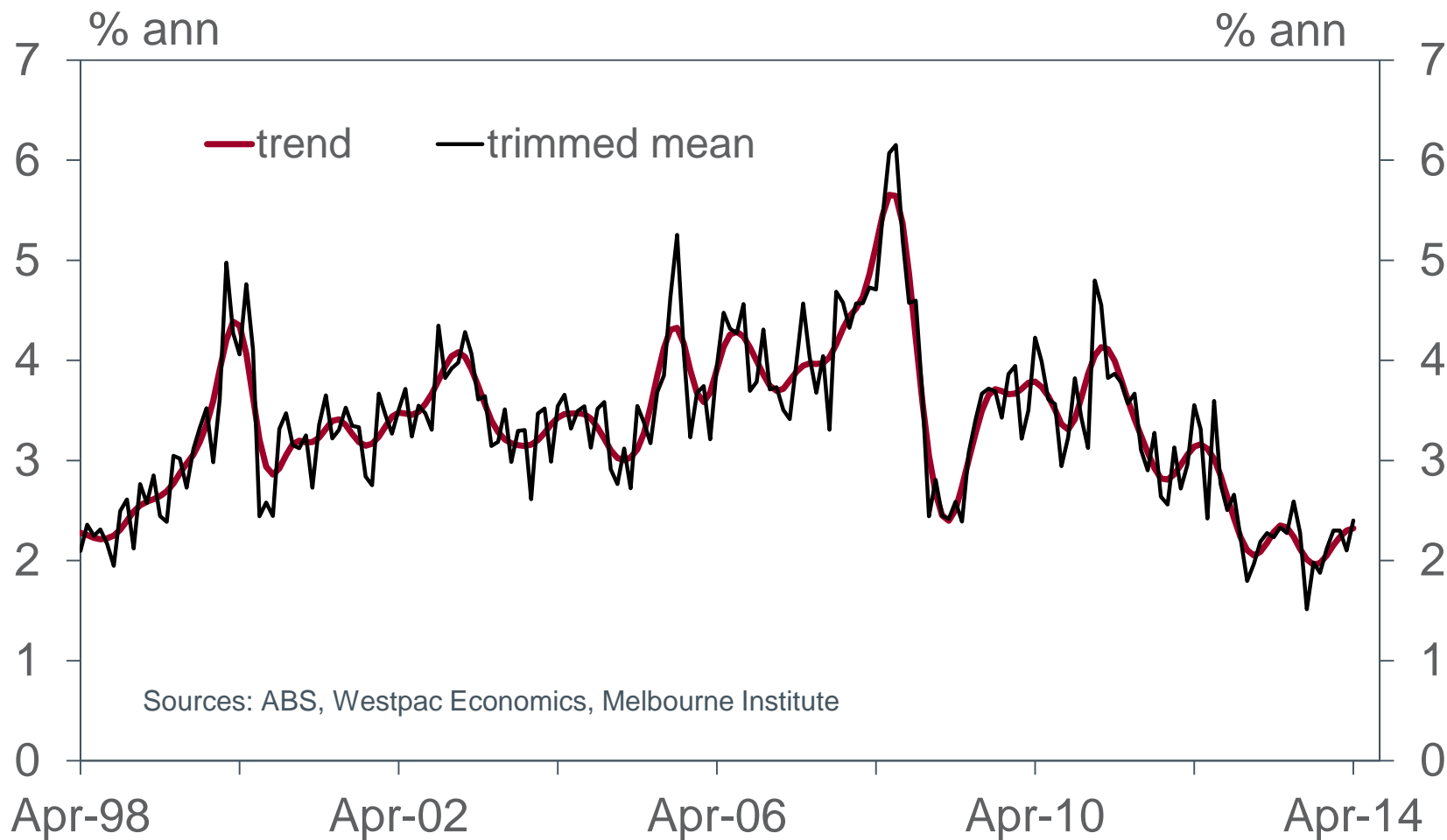
- **Trimmed mean consumer inflationary expectations is rising again, 2.4%/yr in Apr from 2.1%/yr in Mar, from a 2.3%/yr print in Feb and Jan. Expectations are now in a modest uptrend from the equal record low print of 1.5%/yr in Sep 2013.**
- **The trend trimmed mean was 2.3%/yr in Apr & Mar, 2.2% in Feb and 2.1% in Jan. The trend is edging closer to the recent peak of 2.4%/yr in May 2013.**
- **The median expectations for managers & professionals bounces in Apr, from 2.0%/yr to 2.4%/yr, with an eye on the rent highs of 2.9%/yr in Feb and 2.6%/yr. Median expectations for managers were lower in Mar than that for all households (2.1%/yr) but this is no longer the case.**
- **The drift higher in trend inflationary expectations is consistent with the higher than expected 2014Q1 CPI print but there are signs the pace may be nearing a peak.**

Melbourne Institute

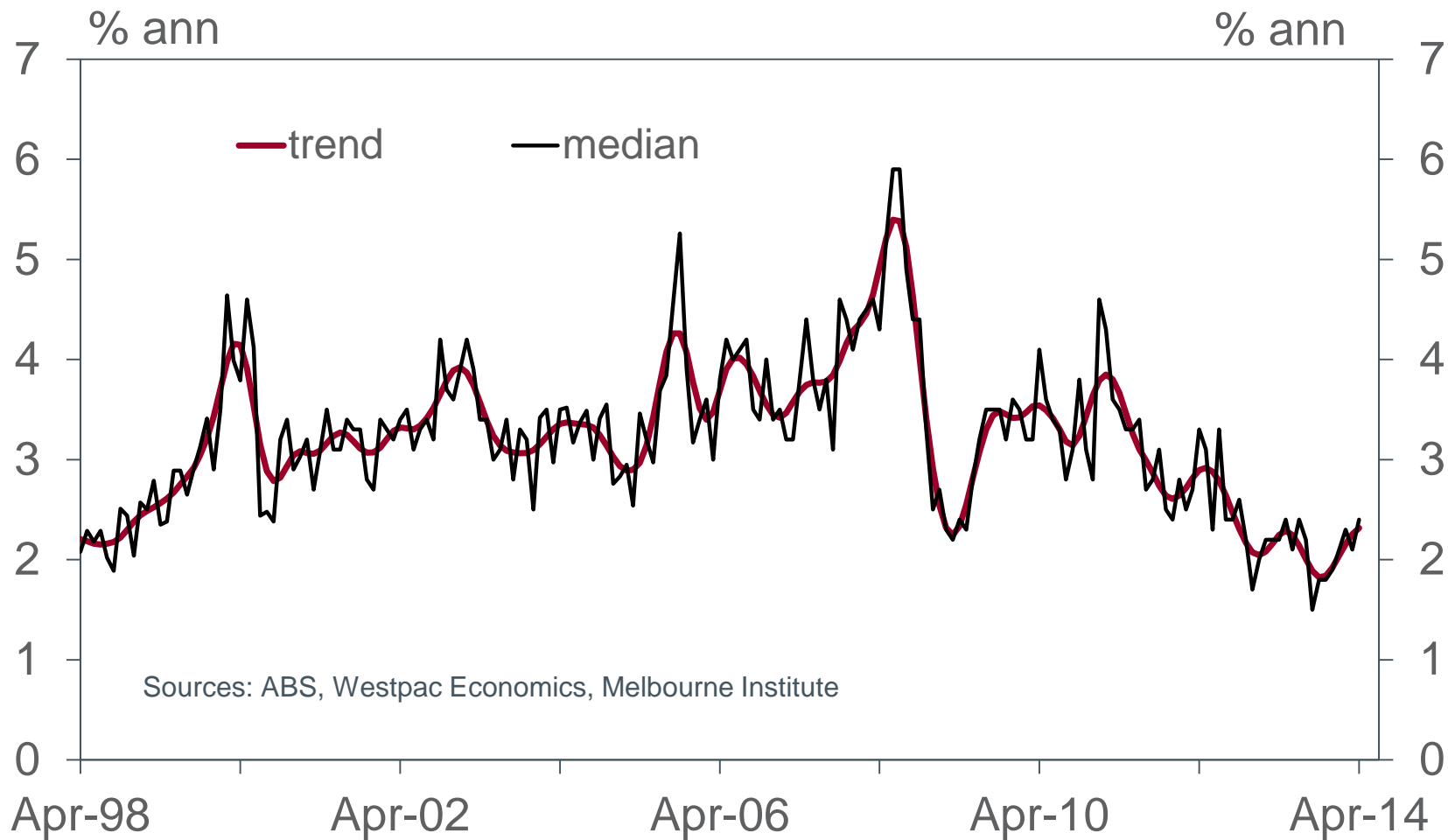
Consumer inflationary expectations (cont)

- The net balance of those expecting price rises, to those expecting price falls, provides a guide to the spread of inflationary expectations. The net balance continues to rise printing 72.5 in Apr from 69.5 in Mar and on par with 72.6 in Feb. The monthly print continues to hold under the long-run average of 75.3 but it is edging closer.
- In trend terms, the net balance is levelling out at 72.0 after rising from a recent low of 63.9% in Sep 2013.
- We are closely watching this series as a widening net balance points to broader price pressures. The fact the net balance is nearing the long-run average is consistent with the recent uptick in inflation.
- Inflationary expectations have clearly picked up. This is consistent with the pickup in reported CPI inflation. While expectations still anchored within the band, rising expectations from a broader spread would be consistent with a near term uptick in headline inflation.

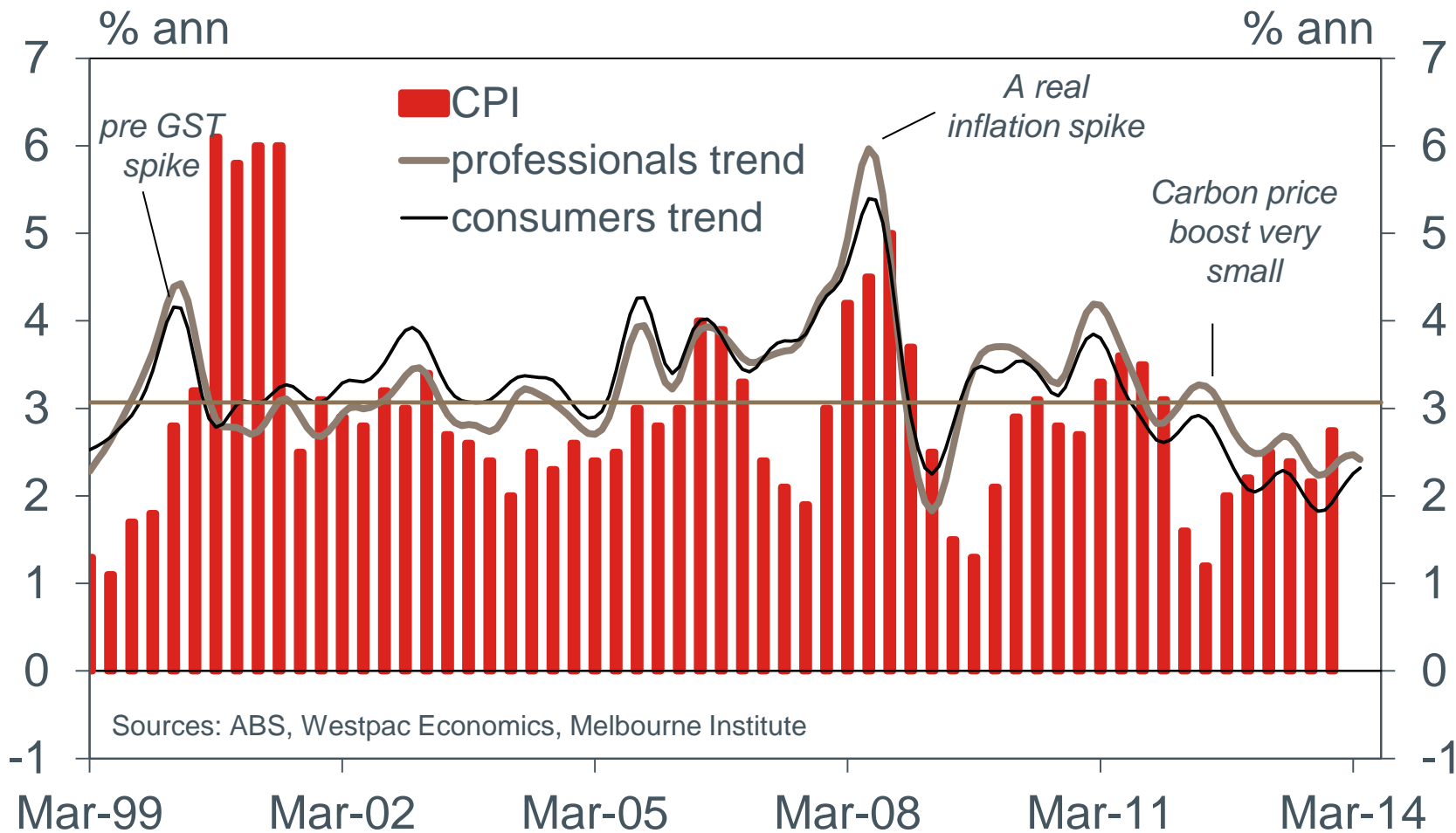
Trimmed mean expectations now at 2.3%yr



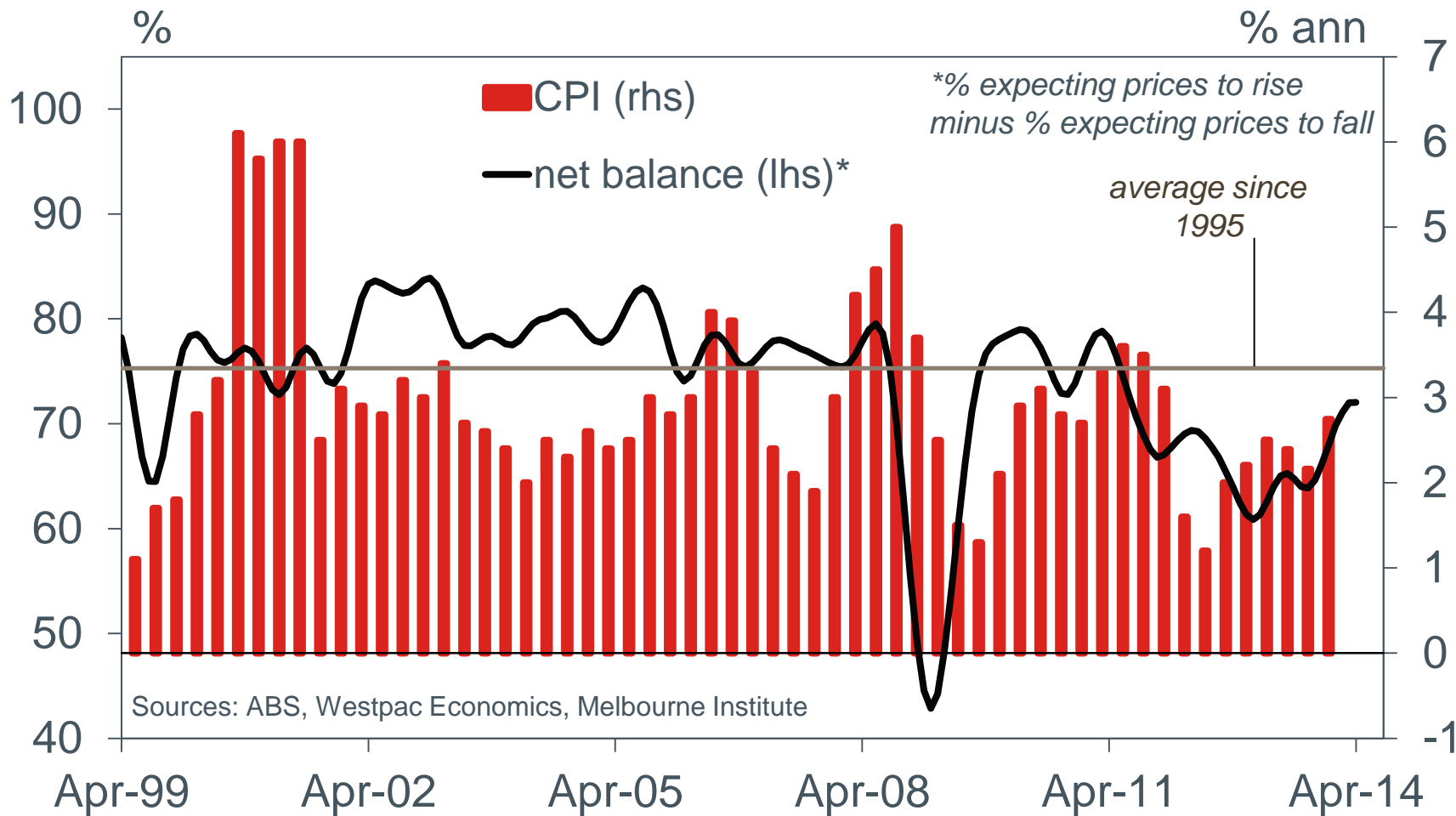
Median inflationary expectations also 2.3%yr



Expectations closing in with long run average...



...and the net balance has had a significant lift.



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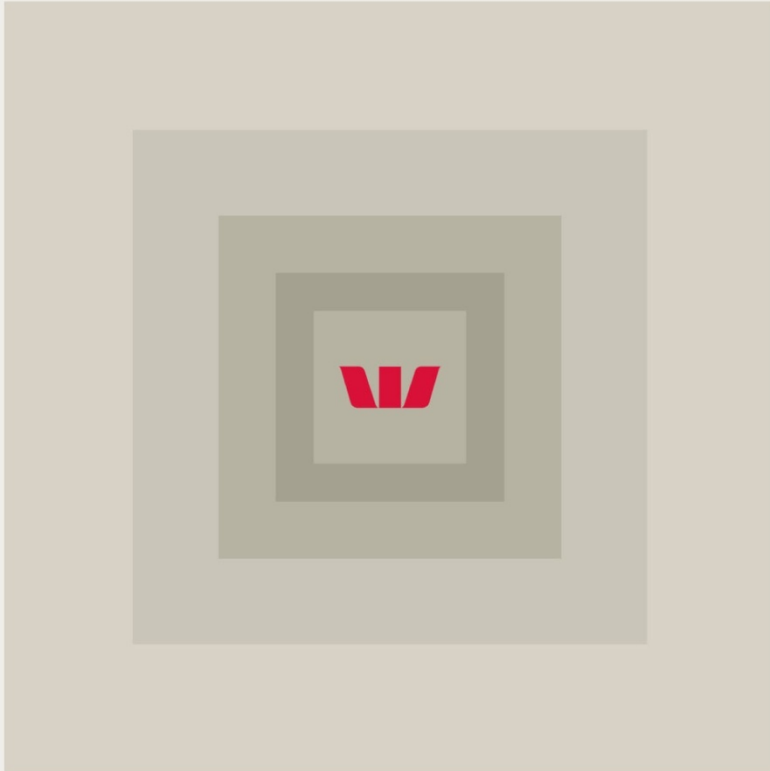
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