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TREASURY EXECUTIVE MINUTE

Minute No.

18 February 2011

Deputy Prime Minister and Treasurer

WEEKLY ECONOMIC WRAP-UP

Timing: At your convenience

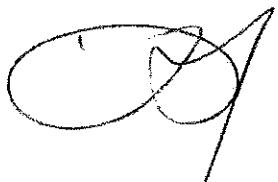
Recommendation/Issue:

- That you note the attached briefing.

Signature:/...../2011

KEY POINTS

- Attached is a note summarising economic developments over the past week.
- The following areas have been consulted in the preparation of this minute: International and G20 Division and Macroeconomic Policy Division



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Weekly Economic Wrap-up

Week ending 18 February 2011
Contact: Leonie Holloway (x3394)

Summary

[Section 22(1)(a)(ii) - material irrelevant to the request]



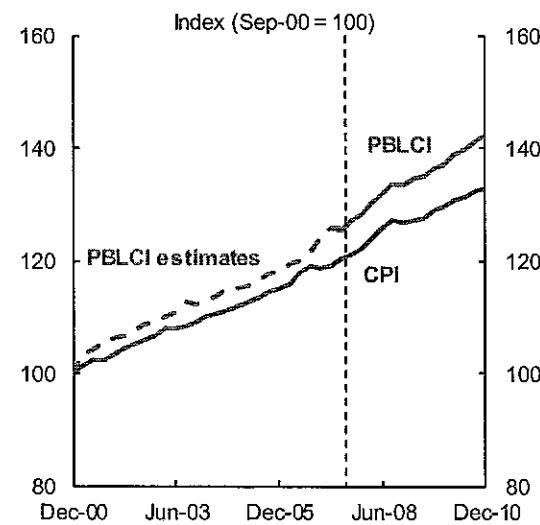
have not necessarily led to an overall lowering of households' living costs.

The Analytical Living Cost Indexes attempt to measure the cost of living for certain household groups. Unlike the CPI, which measures the general price level, the living cost indexes tailor their weights to match the consumption preferences of specific groups.

The indexes were all higher in the December quarter, with the self-funded retiree's cost of living index growing at the same rate as the CPI (up 2.6 per cent through the year), while the age pensioner, other government transfer recipients and employee cost of living indexes all grew faster than the CPI in the December quarter. The ABS Pensioner Beneficiary Living Cost Index (PBLCI) grew at 0.7 per cent in the December quarter 2010 to be 4.0 per cent higher through the year, compared with 2.6 per cent growth in the CPI. Historically, the PBLCI has only grown around $\frac{1}{4}$ of a percentage point faster than the CPI (Chart 3).

This reflects the relatively high weights that items such as food, pharmaceuticals, utilities, tobacco and financial and insurance services have in the PBLCI. By comparison, items such as house purchase prices, rents and private motoring have relatively high weights in the CPI.

Chart 3: PBLCI and CPI



Source: ABS cat. nos. 6401.0, 6463.0 and 6467.0.

Cost of living outstrips the CPI

One side effect of the recent subdued growth in retail spending is downward pressure on the prices of many retail goods, and to some extent this has been reflected in the CPI. However, lower prices for these 'market' goods



*[Section 22(1)(a)(ii) - material irrelevant to
the request]*



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