

TREASURY EXECUTIVE MINUTE

Minute No.

28 October 2010

Deputy Prime Minister and Treasurer

HOUSEHOLD STRESS AND COST OF LIVING PRESSURES

Timing: When convenient

Recommendation/Issue:

- That you note the following information concerning household stress and the cost of living

Noted

Signature:

...../...../2010

KEY POINTS

- Household stress attributable to cost of living pressures may not be as marked as suggested by commentators, although it will vary depending on individual circumstances.
- Consumer Price Index (CPI) inflation, while not explicitly designed to measure changes in the cost of living, provides a good indication of general price pressures in the economy.
- Headline and underlying inflation through year to the September quarter were slightly lower than their long-run averages.
 - Headline inflation was 2.8 per cent through the year to the September quarter, compared to its long-run average of 2.9 per cent; underlying inflation was 2.4 per cent through the year to the September quarter, compared to its long-run annual average of 3.0 per cent.
 - Within the CPI basket, some components have experienced relatively large price increases, particularly non-market administered prices.
 - : Most notably, utilities prices have risen 12.0 per cent in the past 12 months.
 - However, many market-driven prices have increased only moderately or fallen over the past 12 months.
 - : For example: clothing and footwear prices decreased by 2.8 per cent and recreation decreased by 0.7 per cent. Household contents increased by just 0.4 per cent and transportation increased by just 0.6 per cent.
 - : Automotive fuel prices fell by 0.3 per cent compared to a 10-year average annual rise of 3.1 per cent.
- The following areas have been consulted in the preparation of this minute: Domestic Economy Division.



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ADDITIONAL INFORMATION

Table 1: CPI - groups

	Through the year to Sept qtr 2010	3-year average annual increase	10-year average annual increase	Contribution to through-the-year CPI inflation
Food	1.7	2.5	3.7	0.3
Alcohol and tobacco	11.2	6.9	4.6	0.8
Clothing and footwear	-2.8	-0.2	-0.4	-0.1
Housing	5.2	5.8	4.3	1.1
H'hold contents etc.	0.4	1.7	1.0	0.0
Health	5.2	4.9	5.0	0.3
Transportation	0.6	1.3	2.0	0.1
Communication	-0.4	0.2	0.6	0.0
Recreation	-0.7	0.3	0.9	-0.1
Education	5.8	5.4	5.3	0.2
Fin. and ins. services	3.4	1.7	-	0.3
CPI (all groups)	2.8	3.0	2.9 ¹	

Source: ABS Catalogue Number 6401.0 and Treasury

¹CPI (all groups) excludes effect of The New Tax System