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Australian Households ahead \$15,861 per year accounting for cost of living increases since 1988

A report by the University of Canberra's National Centre for Social and Economic Modelling (NATSEM) has found that average disposable incomes increased by 65 per cent compared to 1988 incomes, leaving households \$15,861 per year ahead after accounting for cost of living increases. Since 2008 incomes are 15 per cent higher with households \$5,324 per year better off after cost of living increases, according to the inaugural NATSEM Household Budget Report

NATSEM's quarterly *Household Budget Report* introduces new national measures of cost of living and standard of living for Australian households. The report should broaden the cost of living debate by the inclusion of household incomes into a new standard of living index.

This new quarterly report provides new insights into the movement of the cost of living, incomes and the related standard of living for a range of different household types, including income levels, main source of income, renters, mortgagors, family type and states.

Main Results from June Quarter 2013 Report

Since 1988, on average, household incomes increased by \$15,861 beyond the cost of living. Through just the previous five years, households gained on average \$5,324 per year.

"These gains represent a significant improvement in the financial wellbeing of Australian households with households today 65 per cent better off than in 1988 and 15 per cent better off than in 2008" Said NATSEM Principal Research Fellow, Ben Phillips.

"The gain over the past 5 years is a remarkable outcome given the weakness of the global economy through the global financial crisis."

The NATSEM cost of living index shows that prices increased by a very benign 0.1 per cent in the June quarter of 2013 for a 1.7 per cent annual increase.

Household incomes outpaced the cost of living through the quarter providing a net result for the standard of living index of 0.9 per cent. Through the year this increase was 1.1 per cent.

Cost of living increases remained weak in the June quarter of 2013 with the strongest gains in the ACT (+0.5 per cent), renter households (+0.5 per cent) and government beneficiaries (+0.3 per cent). High income households experienced no change in the cost of living while Victorian households enjoyed a 0.3 per cent drop in their cost of living.

“While price increases were benign over the 2012-13 financial year we find that high income households experienced particularly low cost of living pressures assisted by low mortgage rates and a smaller share of expenditure on high inflation utilities.

“Low income households and government beneficiaries faced higher cost increases as they tend to spend more money on rent and utilities such as gas and electricity, all of which experienced strong price gains through 2012-13.”

The strongest contributors to cost of living increases through the year were utilities (+14 per cent), Health (+6.2 per cent) and education (+5.5 per cent) while costs were eased by mortgage interest (-14.5 per cent) and audio-visual (-5.1 per cent).

Sydney has the highest cost of living of capital cities with a \$4,823 premium over the cheapest capital city, Adelaide. After accounting for income differences we find that the combined ACT/NT has the highest financial standard of living followed by Perth.

“The major driver of difference in the cost of living between state capitals is the cost of housing and Sydney has the most expensive housing in the nation.

“The combined ACT and NT and Perth all have higher disposable incomes than other states and capital cities and have the highest standard of living in the nation.

“The standard of living in Australia increased sharply over the past two decades with incomes substantially outpacing the cost of living. Cost of living increases in Australia have remained low during this period while incomes responded to a very strong economy that has persisted since the early 1990s.”

MORE INFORMATION

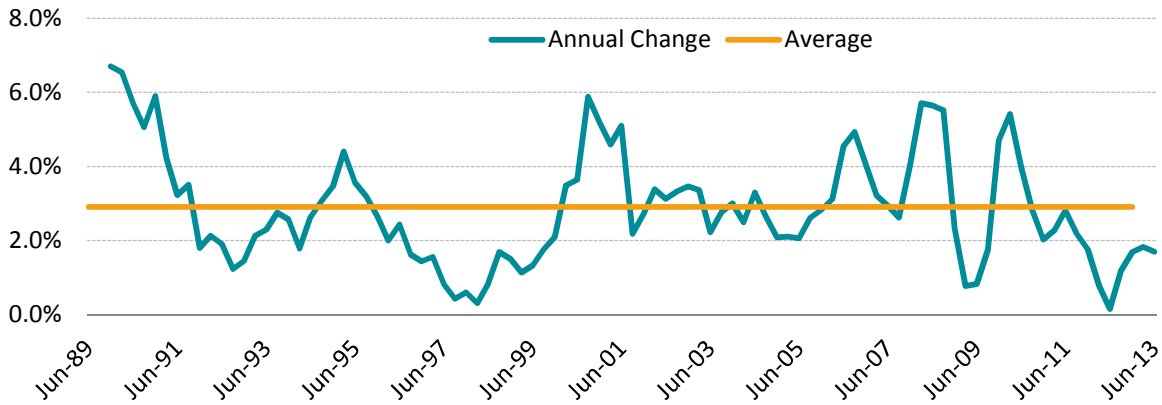
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Note: NATSEM will release the household budget report on a quarterly basis, in the week following the release of the ABS Consumer Price Index publication. The next report will be released in late October, 2013.

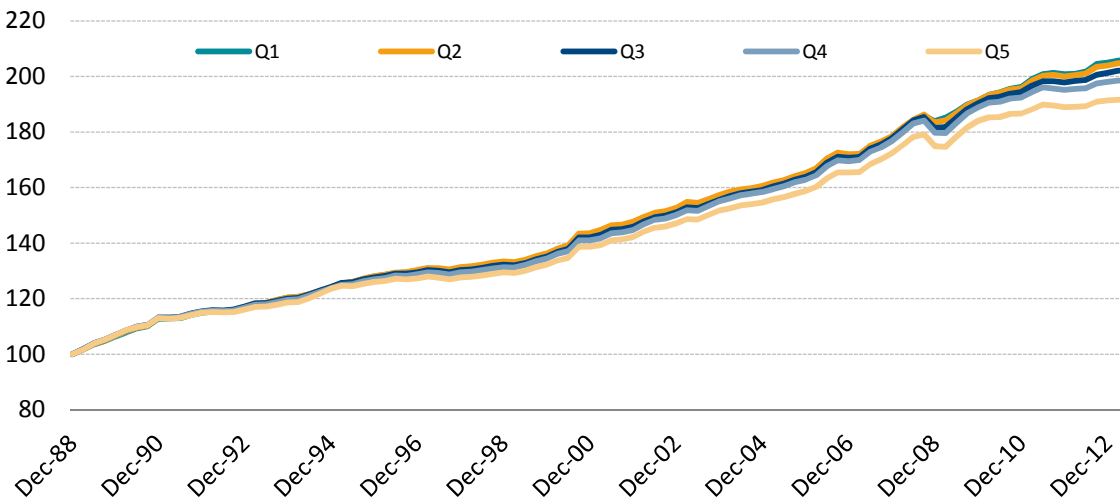
Main Charts and Tables from report

Figure 1 – Household Cost of Living Annual Change, Australia



Source: NATSEM, ABS

Figure 2b – Household Cost of living by Disposable Income level, Index - December 1988 = 100



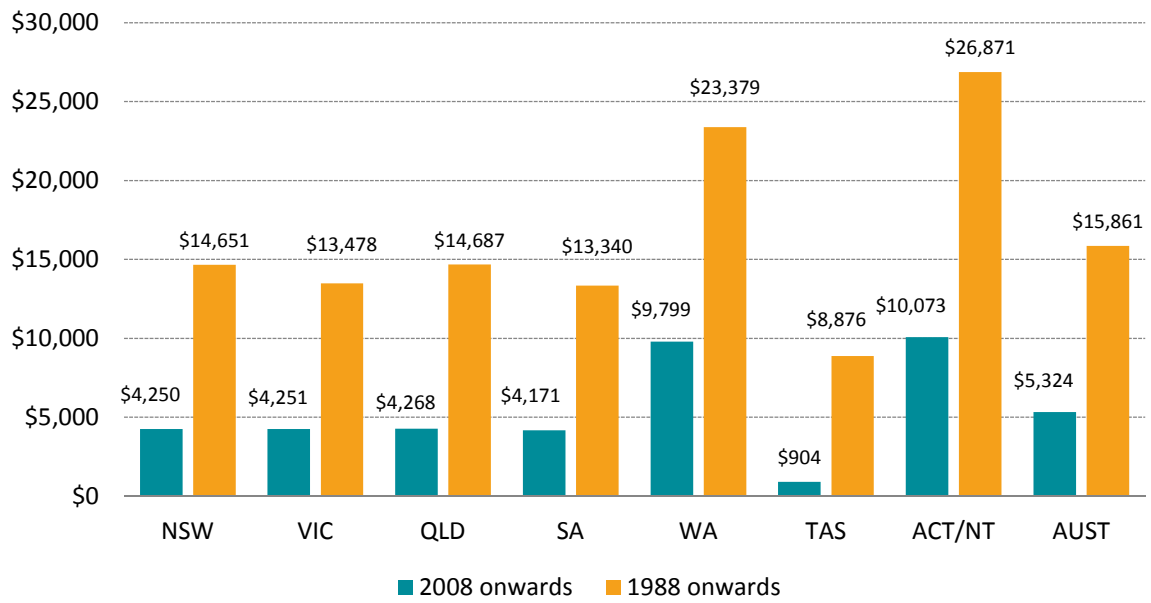
Source: NATSEM, ABS

Table 1 – Cost of living changes by household type

	Quarterly	Annual	5 year Average
State			
NSW	0.2%	1.8%	1.8%
VIC	-0.3%	1.2%	1.8%
QLD	0.0%	1.1%	1.7%
SA	-0.2%	1.5%	1.8%
WA	0.2%	1.9%	1.6%
TAS	-0.1%	1.2%	1.7%
ACT/NT	0.5%	2.4%	2.1%
AUST	0.1%	1.7%	1.9%
Income Level			
Q1	0.2%	2.2%	2.4%
Q2	0.1%	2.0%	2.1%
Q3	0.0%	1.7%	1.9%
Q4	0.0%	1.4%	1.6%
Q5	0.0%	1.2%	1.5%
Tenure			
Owner	0.2%	2.5%	2.3%
Purchaser	-0.3%	0.5%	0.9%
Renter	0.5%	2.6%	2.8%
Other	0.2%	2.3%	2.2%
Main Income Source			
Wages/Salaries	0.0%	1.4%	1.6%
Business	0.0%	1.5%	1.7%
Government	0.3%	2.5%	2.6%
Other	0.2%	2.2%	2.1%
Family Type			
Couple/Kids	-0.1%	1.4%	1.6%
Single Parent	0.2%	1.9%	2.1%
Couple Only	0.0%	1.5%	1.6%
Lone	0.2%	1.9%	2.1%
Other/Group	0.1%	1.9%	2.1%

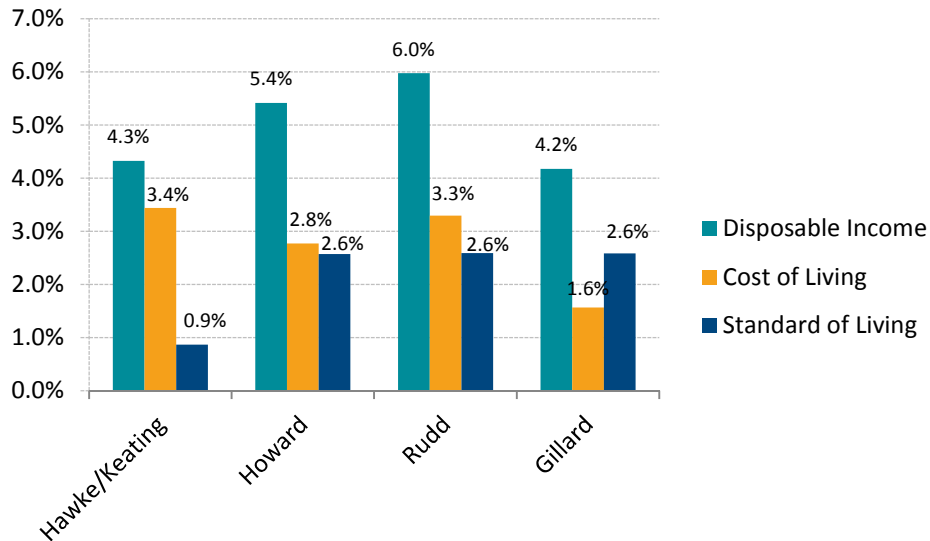
Source: NATSEM, ABS.

Figure 4 – Household Gains in financial standard of living after living costs, \$s per year



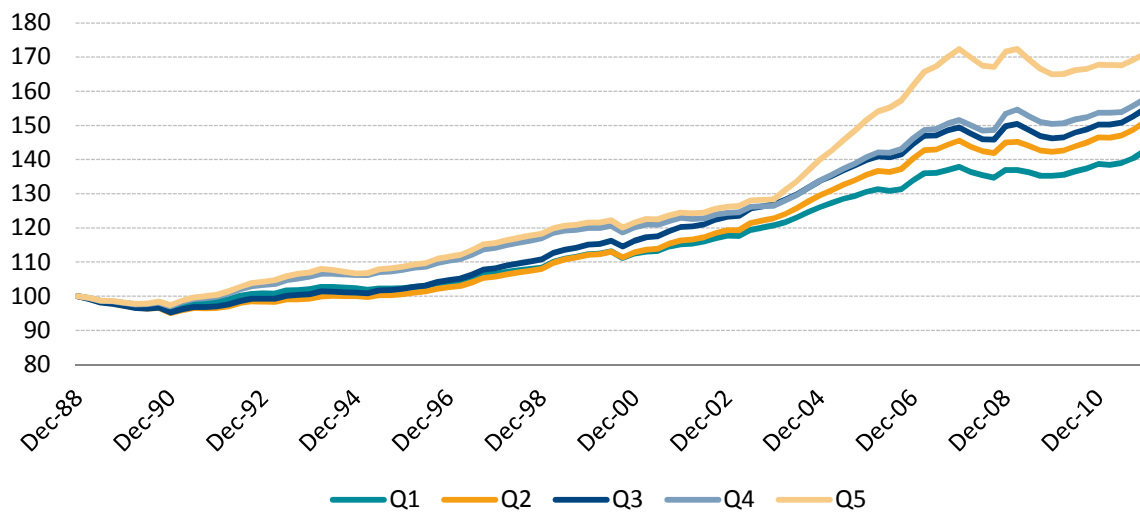
Source: NATSEM, ABS.

Figure 5 – Annual change (%) in households disposable income, cost of living and standard of living by Government



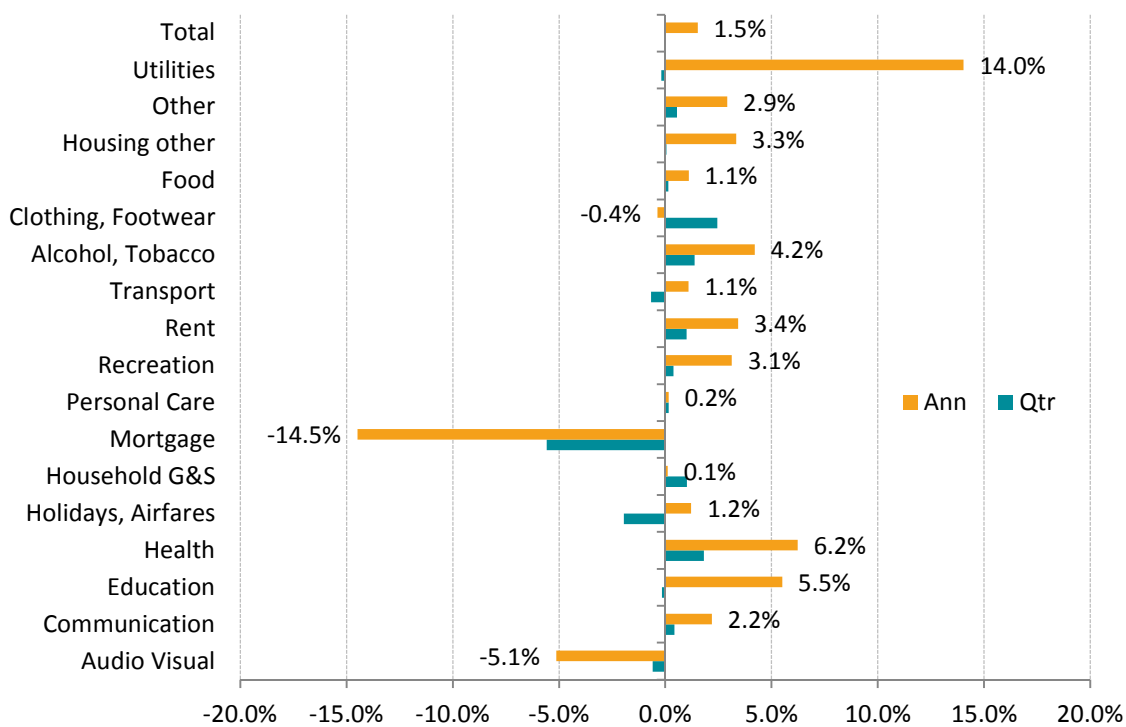
Source: NATSEM, ABS.

Figure 6 – Standard of Living, Income levels, NATSEM¹



Source: NATSEM, ABS.

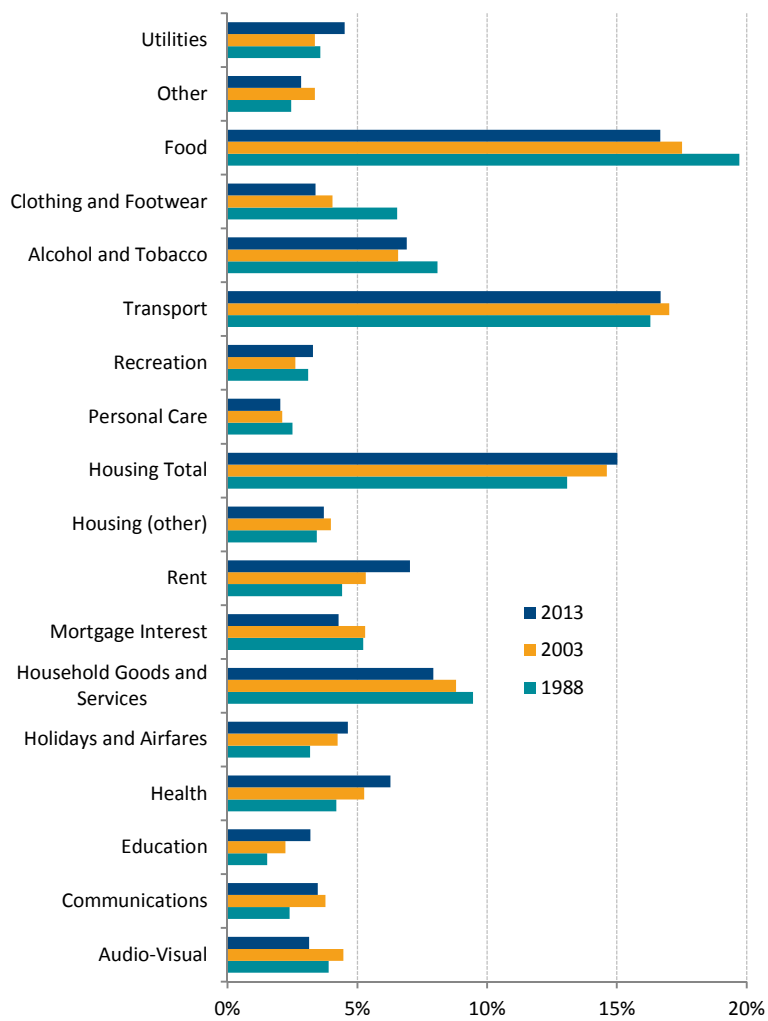
Figure 7 – Price change for Cost of Living detailed groups, NATSEM, ABS.



Source: NATSEM, ABS.

¹ Q1 refers to Quintile 1, which is the bottom 20 per cent of household income households using equivalised disposable income, Q2 refers to Quintile 2 which is percentiles 20 to 40 and so on up to Q5 which is the top 20 per cent of household incomes.

Figure 8 – Expenditure Shares by group, 1988, 2003 and 2013



Source: NATSEM, ABS.