



The Rising Cost of Living in Western Australia August 2007

Purpose of this paper

In recent years, Western Australia has been experiencing an economic boom. This has resulted in increased business investment in WA, increased revenue gains for the State Government and substantial increases in the wages paid to workers in sectors such as finance, mining and construction. However, this 'boom' is not producing benefits for all Western Australians, and in fact, it is producing adverse conditions for many people who live on a middle and/or low income. The main reason for this is that the boom has caused the cost of living in WA to soar.

This paper provides indicative data to demonstrate the continued trend in escalating living costs in WA over the past twelve month period, and beyond, for basic living costs such as housing, transport fuel, food and other essentials.

It is difficult to accurately track living costs and household expenditure patterns. The Consumer Price Index (CPI) produced by the Australian Bureau of Statistics (ABS) is the most commonly used indicator of the cost of living. However, even the ABS recognises the limitations of the CPI and warns that "a true cost-of-living index, among other things, would need to be concerned with changes in standards of living and with the substitutions that consumers make in order to maintain their standard of living when faced with changing market conditions."¹

The data used in this paper is drawn from a number of sources (including the CPI) and the conclusions presented are in no way intended as evidence of living costs and/or household expenditure patterns. Rather, the paper highlights price rises which are placing a strain on the budgets of Western Australians living on a low income. The purpose is to attempt to take percentage increases which are commonly tracked, and consider the cost increases in dollar terms. In order to do so, the paper makes a series of assumptions which are referenced and sourced from the most current available data.

Housing

Rental costs for three bedroom homes

Affordable housing is vital in protecting individuals and families from disadvantage and social exclusion. Perth has undergone a rapid increase in the median rent, up from \$189 in June 2005 to \$270 in March 2007, an increase of almost 43%.² There has also been a significant reduction in private rental vacancies in WA, from a ten year high of 4.8% in mid 2003 to a record low of 0.8% in March 2007³. The table below shows examples of the difference in average rental prices during the June quarter in 2006, compared to 2007.

Suburb	Average Rental June 2006	Average Rental June 2007	12 month Increase
Perth Average	\$240	\$290	\$50
Ardross	\$195	\$360	\$165
Armadale	\$195	\$223	\$28
Balga	\$206	\$256	\$50
Cottesloe	\$367	\$460	\$93
Kalamunda	\$200	\$250	\$50
Midland	\$180	\$250	\$70
Mt Hawthorn	\$260	\$600	\$340
Rockingham	\$193	\$250	\$57
Spearwood	\$250	\$290	\$40
Wanneroo	\$195	\$286	\$91
Average 12 month rental increase of examples listed above			\$98
Source: REIWA Home Rental Survey www.reiwa.com			

Transport Fuel

Many people experiencing disadvantage and/or living on a low income are forced to live in the city's outlying suburbs. People in these areas travel greater distances to access their place of work and services such as schools, hospitals and shopping. The impact of rising fuel costs is more acute in outer regions, particularly for large families. Between September 2004 and September 2006 the price of fuel in Perth appreciated by a staggering 30.8%⁴.

Average price for ULP in All Regions between 1-Jan-2002 and 30-Jun-2007							
Date	Metro	Increase on previous	Av Metro Cost Per Week (40L)#	Non-Metro Average	Increase on previous	Non-Metro vs Metro Gap	Av Non-Metro Cost Per Week (40L)*
Jan-02	81.10		\$ 32.44	90.64		9.54	\$ 72.51
Jun-02	87.20	6.10	\$ 34.88	97.90	7.26	10.70	\$ 78.32
Jan-03	94.40	7.20	\$ 37.76	102.54	4.64	8.14	\$ 82.03
Jun-03	86.20	-8.20	\$ 34.48	97.01	-5.52	10.81	\$ 77.61
Jan-04	93.80	7.60	\$ 37.52	104.19	7.18	10.39	\$ 83.35
Jun-04	98.40	4.60	\$ 39.36	112.64	8.45	14.24	\$ 90.11
Jan-05	94.60	-3.80	\$ 37.84	109.56	-3.08	14.96	\$ 87.65
Jun-05	104.30	9.70	\$ 41.72	118.31	8.75	14.01	\$ 94.65
Jan-06	117.70	13.40	\$ 47.08	129.65	11.34	11.95	\$ 103.72
Jun-06	135.50	17.80	\$ 54.20	147.50	17.85	12.00	\$ 118.00
Jan-07	115.20	-20.30	\$ 46.08	129.50	-18.00	14.30	\$ 103.60
Jun-07	129.90	14.70	\$ 51.96	144.24	14.74	14.34	\$ 115.39
Total Rise			\$ 19.52				\$ 42.88

Metropolitan area:
 Assumed Average Fuel Usage = 40L/week for approximately 40km/day (based on NRMA estimates of average use 15,000km per year and general estimate of fuel usage of 14km/L)
 Weekly fuel expenditure has risen by about \$20 over the past 5 years
 This will be higher for families who travel further each day

*** Non Metropolitan area**
 Assumed Average Fuel Usage = 80L/week for approximately 80km/day (based on double metropolitan usage figures).
 Weekly fuel expenditure has risen by about \$43 over the past 5 years
 This will be a lot higher for some families who travel regularly in outer metro areas

Source: Fuelwatch by DOCEP www.fuelwatch.wa.gov.au

The table above indicates that between January 2002 and June 2007, weekly average expenditure on petrol in the metropolitan region increased by \$19.52. Over a year, according to this model, a family would be spending approximately \$2, 700 per year on fuel in 2007 compared to \$1, 685 in 2002 - an increase of \$1, 015.

In non-metropolitan regions the amount is even higher, with the total increase being \$42.88 per week, amounting to an annual total increase of \$2,230 on 2002 costs. According to this model, a family living in non-metropolitan WA would be spending approximately \$6, 000 per year on fuel in 2007 compared to \$3, 770 in 2002.

Food and Basic Essentials

For average and low income households the majority of their income is spent on housing, transport and groceries. Price rises in these areas has a significant impact on their standard of living. Overall, food prices in Perth rose by 11.5% between September 2004 and September 2006⁵. The price of food in regional WA has risen even more sharply as a flow on from increased transport costs.

Comparison of Perth Average Retail Prices of Selected Items*				
	2006	2007	Increase	% increase
Dairy products			Average %increase:	8%
Milk (2 litre)	2.96	3.13	0.17	6%
Cheese, processed, sliced, (500g)	4.36	4.87	0.51	12%
Butter (500g)(a)	2.99	3.18	0.19	6%
Bread and cereal products			Average %increase:	13%
Bread white loaf, sliced (650g)(b)	2.64	3.04	0.4	15%
Flour, self raising (2 kg)	4.06	4.52	0.46	11%
Rice, long grain (1 kg)	2.02	2.25	0.23	11%
Meat and seafoods			Average %increase:	7%
Loin chops (1 kg)	14.16	14.83	0.67	5%
Chicken, frozen (1 kg)(d)	3.97	4.54	0.57	14%
Bacon, middle rashers (250 g pkt)	4.92	5.16	0.24	5%
Sausages (1 kg)	5.55	6.16	0.61	11%
Fresh fruit and vegetables (e)			Average %increase:	10%
Oranges (1 kg)	3.57	4.14	0.57	16%
Potatoes (1 kg)	1.99	2.13	0.14	7%
Tomatoes (1 kg)	4.27	4.9	0.63	15%
Carrots (1 kg)	1.46	1.44	-0.02	-1%
Onions (1 kg)	2.01	2	-0.01	0%
Processed fruit and vegetables			Average %increase:	19%
Peaches (825 g can)	2.93	3.45	0.52	18%
Pineapple, sliced (450 g can)	1.66	1.96	0.3	18%
Peas, frozen (500 g pkt)	1.42	1.73	0.31	22%
Other food			Average %increase:	12%
Eggs (1 dozen)(d),(f)	3.86	4.69	0.83	22%
Sugar, white (2 kg)(d)	2.34	2.89	0.55	24%
Jam, strawberry (500 g jar)	3.05	3.18	0.13	4%
Teabags (180 g pkt)	3.54	3.71	0.17	5%
Coffee, instant (150 g jar)	6.32	7.3	0.98	16%
Tomato sauce (600 ml)	1.71	1.74	0.03	2%
Margarine, poly-unsaturated (500 g)	2.65	2.81	0.16	6%
Baked beans, in tomato sauce (420 g)	1.34	1.4	0.06	4%
Baby food (120 g can)	0.81	0.95	0.14	17%
Household supplies			Average %increase:	6%
Laundry detergent (1 kg)	5.89	5.88	-0.01	0%
Dishwashing detergent (450 ml)	3.67	3.39	-0.28	-8%
Facial tissues (pkt 180)	2.16	2.24	0.08	4%
Toilet paper (8 x 190 sheet rolls)	5.32	6.72	1.4	26%
Pet food (400 g)	1.17	1.13	-0.04	-3%
TOTAL	\$ 110.77	\$ 121.46	\$ 10.69	10%

*Source: ABS Average Retail Prices of Selected Items, Eight Capital Cities, (Perth) June 2007 and ABS Average Retail Prices of Selected Items, Eight Capital Cities, (Perth) June 2006.

(*Excludes high quality products eg. Meats and Seafood items; Bananas, Snacks & Confectionary; Private Motoring, Personal Care Products & Alcoholic Drinks)

WACOSS Scenario – Cost of Living

Price increases in essentials like housing, food and petrol are placing lower-income families in Western Australia under pressure. Community service agencies report that the number of people struggling to make ends meet is growing. From 2005 to 2006 there was a 54% increase in the number of people in need that agencies had to turn away.⁶

The scenario below draws a picture of the effect rising living costs are having on low-income families and shows that from 2006 to 2007, households costs increased by approximately \$70 per week just on basic living expenses. During the same period average wages in WA increased by around 4.8%. After taking into account the average wage increase, households' net position had deteriorated by \$44 per week. This means that during this period living costs for low-income families were rising at a rate of greater than 2.5 times the increase in average wages in WA.

Assumptions: Household is a family with only one parent in full time employment, renting with two dependent age children. Typical additional household expenses not included in the scenario are items such as clothing and footwear, education, financial fees/insurance, motor vehicle maintenance/repairs and recreation.

Weekly expense	Income	Food and non-alcoholic beverages	Housing ⁷	Fuel	Medical Care & Health Expenses	Childcare Expenses (5 – 9 hours per week)	Total Increase in Costs	Income minus total expenses (money left to spend on other expenses)
Year								
2006	\$565 ⁸	\$174 ⁹	\$240	\$54 ¹⁰	\$54 ¹¹	\$30 ¹²		\$13
2007	\$592 ¹³	\$191 ¹⁴	\$290	\$52 ¹⁵	\$56 ¹⁶	\$34 ¹⁷		- \$31
Price increase	\$27	\$17	\$50	-\$2 [*]	\$2	\$4	Total price increase \$71 p/w	Net position -\$44 p/w

DISCLAIMER: The WACOSS Scenario – Cost of Living is a hypothetical scenario based on a number of referenced assumptions. The figures are drawn from a variety of available sources, and the scenario is in no way intended to be a comprehensive or precise reflection of living costs and/or household expenditure.

* While the price of fuel in Perth decreased from Jun 06 to Jun 07, it has steadily increased from Jan 2002 to Jun 2007 (see table on page 3).

Conclusion

For low income earners and people experiencing disadvantage, the cost of living in WA is rising much faster than their incomes and creating significant financial hardship. For these people, it is important to differentiate between price changes in non essential and essential items. Research has shown that falls in the price of luxury items have caused a fall in the CPI, giving a false sense of the cost of living for low income earners.¹⁸

For example, the most significant price rises in the June 2007 quarter CPI were for essential items: fuel (+9.1%), fruit (+8.4%), vegetables (+6.1%) and rents (+1.6%). These price increases have a disproportionate impact upon households living on low incomes because most of their income goes on housing, food and petrol. The offsetting price falls for the same quarter were in non-essential expenditure areas such as: holiday travel/accommodation (-3.5%) and audio, visual and computing equipment (-2.4%).

The headline inflation figure of about 3% is hiding much more rapid increases in the price of groceries and basic essentials. For example, a comparison of the June 2006 and June 2007 ABS *Average Retail Prices* (Perth)¹⁹ shows that the prices of essential items have risen sharply: Dairy products (8%); Processed Fruit and Vegetables (19%); Eggs (22%) and Sugar (24%). From March 2006 to March 2007 the median rent in Perth also rose by 17%.²⁰

The WA Wage Price Index rose by 4.8% from March 2006 to March 2007, but as this paper shows, the cost of living has risen more sharply.

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¹ ABS (2005) A Guide to the Consumer Price Index: 15th Series, ABS cat 6440.0,

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/A0C0F582E0909660CA2570A60000A4C1/\\$File/64400_2005.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/A0C0F582E0909660CA2570A60000A4C1/$File/64400_2005.pdf) pp3-4

² \$189 was Perth's median rent in June 2005 (p3 *The State of Affordable Housing in WA*, 2006, Shelter WA Occasional Paper). \$270 was the March 2007 median rent for Perth according to REIWA *Property Market Indicators*.

³ Real Estate Institute of Western Australia. 25 May 2007.

⁴ ABS (2006) Driver's of Perth's rising prices – WA Statistical Indicators Feature Article.

⁵ ABS (2006) Driver's of Perth's rising prices – WA Statistical Indicators Feature Article.

⁶ ACOSS (2007) *Community Sector Survey* Pg 68

⁷ Perth's median rent has risen approximately 20.8% from \$240 in June 2006 as stated by Shelter WA's State of Affordable Housing in WA Paper (pg3) <http://www.shelterwa.org.au/publications/resandproj/Shelter%20Affordable%20Housing,%202006%20Final%20Master%20Copy.pdf> to \$290 per week in June 2007 as recorded by REIWA *Property Market Indicators June 2007* <http://reiwa.com/Art/Art-Public-View.cfm?PageUUID=603066cf51106f5b3f5f-17-Aug-2007-10:06:05:806&ID=9182> .

⁸ \$565 is the third quintile of mean income per week of the 2005/06 ABS *Household Income and Income Distribution Survey*:

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/447BC40F0713F454CA25732A00258F43/\\$File/65230_2005-06.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/447BC40F0713F454CA25732A00258F43/$File/65230_2005-06.pdf)

⁹ WACOSS calculation based on the 2003/04 ABS Household Expenditure Survey (pg 3) of average weekly expenditure on food and non-alcoholic drinks (\$156)

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/6D5F1DDFF4729C60CA25705900755727/\\$File/65300_2003-04.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/6D5F1DDFF4729C60CA25705900755727/$File/65300_2003-04.pdf)

plus the rise in CPI in Perth food prices from Sept 2004 to Sept 2006 (11.5%) in ABS Feature Article: *Drivers of Perth's Rising Prices*

<http://abs.gov.au/AUSSTATS/abs@.nsf/featurearticlesbyCatalogue/EA8402AA87277338CA2572B2001297DE?OpenDocument>

¹⁰ Based on the June 06 metro figure from Average price for ULP in All Regions between 1-Jan-2002 and 30-Jun-2007 table (see page 3 of *Rising Cost of Living* – WACOSS Paper)

¹¹ WACOSS calculation based on T2 of the 2003/04 ABS Household Expenditure Survey (Detailed Version) of average weekly expenditure on medical care and health expenses (\$50)

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/0B6D19EF51D50EABCA2571150076FCFA/\\$File/6535055001_2003_04%20r%20feb06.xls](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/0B6D19EF51D50EABCA2571150076FCFA/$File/6535055001_2003_04%20r%20feb06.xls)

plus the 7.6% average yearly rise up to 2006 in medical and hospital expenses as described on pg 170 of the 2007 ABS *Australian Social Trends* publication

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/51EE403E951E7FDACA25732F001CAC21/\\$File/41020_2007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/51EE403E951E7FDACA25732F001CAC21/$File/41020_2007.pdf)

¹² Based on the mean child care expenses for 5 to 9 hours per week taken from the *ABS 2005 Child Care* paper pg 23:

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/825293289E6DCB1BCA257191007C1EC5/\\$File/44020_jun%202005%20\(reissue\).pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/825293289E6DCB1BCA257191007C1EC5/$File/44020_jun%202005%20(reissue).pdf)

¹³ WACOSS calculation using 2005/06 figure (see footnote 8) plus the 4.8% *ABS Wage Price Index* for Western Australia year ending March 2007 - see pg 5 of Cat No 63450:

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/DFD0087E75A02604CA2572DC001AC25A/\\$File/63450_mar%202007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/DFD0087E75A02604CA2572DC001AC25A/$File/63450_mar%202007.pdf)

¹⁴ plus 10% rise from 2006 to 2007 in 'food and basic essentials' recorded on page 4 of *The Rising Cost of Living* – WACOSS Paper (based on ABS Average Retail Prices of Selected Items, Eight Capital Cities, June 2006 and 2007)

¹⁵ figure for metro June 07 from Average price for ULP in All Regions between 1-Jan-2002 and 30-Jun-2007 table (see page 3 of *The Rising Cost of Living* – WACOSS Paper)

¹⁶ Plus the 4.1% rise in Health prices from June 06 to June 07 as recorded in the CPI (pg 1)

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/47D2F38DCCA27D81CA2573220017FFB7/\\$File/64010_jun%202007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/47D2F38DCCA27D81CA2573220017FFB7/$File/64010_jun%202007.pdf)

¹⁷ Plus the 12.8% rise in Child Care prices from June 2006 to June 2007 as recorded in the CPI (pg 21)

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/47D2F38DCCA27D81CA2573220017FFB7/\\$File/64010_jun%202007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/47D2F38DCCA27D81CA2573220017FFB7/$File/64010_jun%202007.pdf)

¹⁸ Duffy, G (2005) *Winners and Losers: the story of costs*, Social Policy Issues Paper 2, St Vincent de Paul Society

¹⁹ ABS Average Retail Prices of Selected Items, Eight Capital Cities, Jun 2006, Average Retail Prices of Selected Items, Eight Capital Cities, Jun 2007

²⁰ REIWA *Property Market Indicators March 2007* <http://reiwa.com/res/res-marketindicators-display.cfm> .