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Reissue

Information Paper

**Introduction of the
Pensioner and
Beneficiary Living Cost
Index**

Australia

2009

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AUSTRALIAN BUREAU OF STATISTICS

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CONTENTS

page

Contents

Preface	vii
Abbreviations	viii
1. Introduction	1
2. Description of the PBLCI	2
3. Weights for the PBLCI	4
4. Collecting prices for the PBLCI	5
5. Calculating and interpreting the PBLCI	7
6. Relationship to the CPI	8
7. Program to improve the PBLCI	10
8. Publication arrangements	11

Additional Information

Appendix 1 – Time series	12
Appendix 2 – Types of goods and services priced in the PBLCI	13
Appendix 3 – Weighting pattern of the PBLCI	17
Bibliography	20

PREFACE

The Consumer Price Index (CPI) is an important economic indicator. It provides a general measure of changes in prices of consumer goods and services purchased by Australian households. The CPI is used for a variety of purposes, such as in the development and analysis of government economic policy, the adjustment of some government benefits, and in individual contracts. Following the 13th series review in 1998, the CPI has been specifically designed as a general measure of price inflation for the household sector as a whole. The CPI measures the changes in the price of a fixed basket of goods and services acquired by household consumers.

The government's Pension Review Report completed by Dr Jeff Harmer in February 2009 followed a comprehensive review of Australia's pension system. In considering indexation arrangements, detailed analysis of the CPI and other measures of price changes led the Review to conclude that "an alternative measure of price change which is more fully responsive to specific changes in pensioners' purchasing power would be appropriate".

In response to the Review, the government has funded the ABS to produce a new index that more specifically reflects changes in the living costs of pensioners and other households receiving income support from the government. In the 2009–10 Budget, the government has indicated that it will use this index, to be known as the Pensioner and Beneficiary Living Cost Index (PBLCI), to index base pension rates where it is higher than the CPI. The ABS will publish the PBLCI on a quarterly basis commencing on 24 August 2009.

Initially, the PBLCI will be constructed as a by-product of processing the quarterly CPI. Over time, the ABS will progressively improve the index to better reflect the price changes experienced by pensioners and beneficiaries.

This Information Paper provides an overview of the new index, including how it is calculated and its relationship to the CPI. Quarterly movements in the PBLCI compared with the CPI for the period June quarter 2007 to June quarter 2008 are shown in Appendix 1.

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
ALCI	Analytical Living Cost Indexes
COLI	cost of living index
CPI	consumer price index
GST	goods and services tax
HES	Household Expenditure Survey
PBLCI	Pensioner and Beneficiary Living Cost Index

1. INTRODUCTION

INTRODUCTION

The Consumer Price Index (CPI) produced by the Australian Bureau of Statistics (ABS) is a widely used economic indicator which provides a general measure of changes in the prices of consumer goods and services purchased by Australian households. It has many uses but it is not designed as a purchasing power or cost of living index. Detailed information about the CPI may be found in ABS publications *A Guide to the Consumer Price Index, 15th series* (cat. no. 6440.0) and *Australian Consumer Price Index: Concepts, Sources and Methods* (cat. no. 6461.0). In contrast, the new index, known as the Pensioner and Beneficiary Living Cost Index (PBLCI) is a measure of the effect of changes in prices on the out-of-pocket living expenses of a subgroup of the Australian population: age pensioner households and other government transfer recipient households.

The PBLCI is based on the Analytical Living Cost Indexes (ALCIs) which have been compiled and published by the ABS since June 2000 in recognition of the widespread interest in the extent to which the impact of price change varies across different groups in the community. These indexes are produced as a by-product of the CPI. They are the conceptually preferred measures for assessing the effect of changes in prices on the out-of-pocket living expenses of subgroups of the Australian population.

Existing ALCIs are prepared for four types of Australian households:

- employee households;
- age pensioner households;
- other government transfer recipient households; and
- self-funded retiree households.

The ABS currently publishes these indexes annually in *Analytical Living Cost Indexes for Selected Australian Household Types* (cat. no. 6463.0).

Conceptually, the most notable difference between the ALCIs and the CPI is that the living cost indexes include interest charges but do not include house purchases, while the CPI includes new house purchases but does not include interest charges.

2. DESCRIPTION OF THE PBLCI

DESCRIPTION OF THE PBLCI

The PBLCI is designed to assess the impact of changes in prices on the disposable incomes of the reference population in the capital cities. The reference population consists of households whose principal source of income is from government pensions and benefits – the main types being Age, Veterans Affairs, Sole Parents, Unemployment, Sickness, and Family payments.

As with the CPI, the PBLCI is based on a fixed basket of goods and services. Neither of these indexes is what statisticians call a cost of living index (COLI). As the CPI and PBLCI are based on a fixed basket they are unable to immediately reflect changing consumer preferences and the substitutions that consumers make in response to changes in relative prices. A true cost of living index would account for the substitutions that consumers make to maintain their standard of living when faced with changing market conditions (for instance, buying chicken rather than beef when beef prices are high).

The PBLCI basket of goods and services

The composition of the PBLCI basket, like the CPI, is based on the pattern of household expenditure in the 'weighting base period' which is 2003–04. Information on the spending habits of Australian households during 2003–04 was obtained from the Household Expenditure Survey (HES) conducted by the ABS. The HES results provide the starting point for selecting the basket of goods and services to be priced for the CPI and hence the PBLCI.

For practical reasons, the basket cannot include every item bought by households, but it does include all the important kinds of items. It is not necessary to include all the items people buy since many related items are subject to similar price changes. The approach taken is to select representative items so that the index reflects price changes for a much wider range of goods and services than is actually priced. Examples of the types of items included in the basket are shown in Appendix 2.

When determining what items are to be priced various factors are taken into consideration. Items:

- must be representative of purchases made by the relevant population group (note that initially the PBLCI basket is based on the CPI population group);
- must have prices which can be associated with an identifiable and specific commodity or service (e.g. a 420 gram can of baked beans, or adult general admission to a league football game); and
- are not excluded on the basis of moral or social judgements. For example, some people may regard the use of tobacco or alcohol as socially undesirable, but both are included in the basket because they are significant items of household expenditure and their prices can be accurately measured.

Income-based taxes, however, are not included because they cannot be clearly associated with the purchase or use of a specific good or service.

The total basket is divided into eleven major groups, each representing a specific set of commodities:

- Food
- Alcohol and tobacco
- Clothing and footwear
- Housing
- Household contents and services

2. DESCRIPTION OF THE PBLCI *continued*

The PBLCI basket of goods and services continued

- Health
- Transportation
- Communication
- Recreation
- Education
- Financial and insurance services

These groups are divided in turn into thirty-three subgroups, and the subgroups into ninety expenditure classes. An expenditure class is a grouping of similar items, such as various types of motor vehicles.

What does the PBLCI measure?

The PBLCI measures changes in retail prices experienced by PBLCI households in capital cities in aggregate. The composition of the basket and the relative importance of items in it relate to this reference population group as a whole – it represents the aggregate expenditures of all in-scope households, not the expenditure pattern of the average household or of any particular household type or size. The basket comprises all consumer goods and services acquired over a twelve-month period. It includes items acquired infrequently by an individual household (e.g. major electrical appliances, new motor vehicles), items that are acquired almost daily by all households (e.g. bread and milk) and items that are only available at certain times of the year. The basket includes, for example, both rent payments of renting households and the mortgage interest charges paid by owner-occupier households for the purchase of their principal residence. Clearly no individual household can incur both expenses at the same time. Therefore changes in the PBLCI are unlikely to reflect exactly the price experience of any particular household.

The PBLCI does not measure those changes in living costs which may be experienced by individual households as a direct consequence of their progression through the life cycle. For example, younger households may incur a higher proportion of their expenditure on child care and computers, and those households entering the older age groups may incur increasing expenditure on medical services. However, changes in the demographic make-up of households in aggregate and differences in expenditure patterns will affect the pattern of total household expenditure recorded in the HES. In turn, these changes will affect the weighting pattern of the PBLCI.

The PBLCI is not designed to measure price levels; rather its purpose is to measure changes in prices over time. Although price levels in country regions often differ from those in metropolitan areas (some higher and others lower), the factors influencing price movements generally tend to be similar. Therefore the PBLCI can be expected to provide a reasonable indication of the changes in prices for the reference population in Australia as a whole in the longer term.

3. WEIGHTS FOR THE PBLCI

PBLCI WEIGHTS

The overall (or All Groups) PBLCI provides a measure of the average rate of price change. In calculating an average measure of this type it is necessary to recognise that some items are more important than others. Price changes for the more important items should have a greater influence on the average than price changes for less important items. For example, if household expenditure on bread is three times as large as expenditure on cheese, then a 10 per cent price increase for bread should have a similar effect on the PBLCI as a 30 per cent price increase for cheese.

Measures of expenditure by the reference population on each of the expenditure classes are obtained primarily from the HES. However, some adjustments are made to HES data to account for known instances of under-reporting (the most notable being for alcohol and tobacco) and any other anomalies. The adjusted HES data are then used to derive a 'weight' for each expenditure class. The weights for the PBLCI expenditure classes at June quarter 2007 prices are shown in Appendix 3.

As mentioned above, the weights reflect the relative expenditures of the PBLCI reference population as a whole and not those of any particular type and size of household. As such, the weights are said to reflect expenditures of PBLCI households on average and not the expenditure of an average PBLCI household.

The description of the PBLCI as measuring the change in the price of a *fixed* basket of goods and services requires some qualification.

First, although the weights are expressed in terms of expenditure shares, it is not the expenditure shares that are held constant (or fixed) from period to period. What is held constant are the quantities of goods and services underpinning these expenditures (where expenditure is the product of quantity and price). Presentation of weights in expenditure terms reflects the fact that it is simply not possible to present quantity weights in a meaningful way. The relative expenditure shares of items will change over time in response to changes in relative prices.

Secondly, although the implicit quantity weights are held constant at the expenditure class level, the weights of items within an expenditure class (e.g. different types of bread) can be varied between periodic reviews to reflect changed purchasing patterns. Any weight changes are introduced into the PBLCI in such a way that they do not affect the level of the index.

The underlying quantity weights for the PBLCI expenditure classes are updated at six-yearly intervals with the timing generally linked to the availability of HES data.

4. COLLECTING PRICES FOR THE PBLCI

COLLECTING PRICES FOR THE PBLCI

The collection of prices in each capital city is largely carried out by trained field staff operating out of the various offices of the ABS, although some prices are collected by special surveys run by the Canberra office.

Prices are collected in the kinds of retail outlets and other places where metropolitan households purchase goods and services. This requires collecting prices from many sources such as supermarkets, restaurants and travel agents. Prices are collected by personal visit, telephone or internet as appropriate.

Prices for items such as rail transport services, electricity and gas supply, and telephone services are collected from the authorities concerned. Information on rents is obtained from property management companies and from government housing commissions.

The frequency of price collection by item varies as necessary to obtain reliable price measures. Prices of some items are volatile (i.e. their prices may vary many times each quarter) and for these items frequent price observations are necessary to estimate a reliable average quarterly price. Each month prices are collected at regular intervals for goods such as petrol, fresh meat, fruit and vegetables, and women's clothing.

For most other items price volatility is not a problem and prices are collected once a quarter. There are a few items where prices are changed at infrequent intervals, and in these cases the frequency of price collection is modified accordingly.

The prices used in the PBLCI are those that any member of the reference population would have to pay to purchase the specified good or service. Any taxes levied on goods or services (such as the GST) are included in the PBLCI price. Similarly, prices include any subsidy or assistance provided directly by government (e.g. Medicare). Sale prices, discount prices and 'specials' are reflected in the PBLCI so long as the items concerned are of normal quality (i.e. not damaged or shop-soiled), and are offered for sale in reasonable quantities. Any concessions available to particular subgroups of the population (such as age pensioners) are also taken into account.

To ensure that price movements are representative of the experiences of metropolitan households, the brands and varieties of the goods and services which are priced are generally those which sell in greatest volume.

Changes in quality

In concept, quality embraces all the attributes of an item which consumers would consider before making a purchase. For example in the case of tinned tomato soup it would include the volume or weight of the contents as well as the concentration and flavour.

As the PBLCI aims to measure price changes for a fixed basket of goods and services over time, identical or equivalent items must be priced in successive periods. However, products do change; their components or ingredients may change resulting in an improvement or degradation in quality. As the characteristics of products are altered, the statisticians responsible for the price index attempt to separate the effects of a quality change from any underlying price changes so that the PBLCI measures 'pure' price change.

4. COLLECTING PRICES FOR THE PBLCI *continued*

Changes in quality continued

The requirement to take account of changes in quality, to ensure that the index reflects only pure price change, often poses difficult measurement problems and in some cases is impossible in practice. For example, although it is fairly easy to monitor changes in rail or bus ticket prices, it is difficult to attach a dollar value to changes in the quality (e.g. frequency or punctuality of the service).

5. CALCULATING AND INTERPRETING THE PBLCI

CALCULATING THE PBLCI

The PBLCI has previously been described in terms of a basket of goods and services which is 'purchased' each quarter. As prices change from one quarter to the next so, too, will the total cost (or price) of the basket.

The calculation of the PBLCI follows the same method used for the CPI, which can be thought of as being constructed in four major steps:

1. subdividing the total expenditure into individual items for which price samples can be selected;
2. collecting price data;
3. estimating price movements for individual items; and
4. calculating the current period cost of the basket.

For a detailed description of each of these steps see section 4 of *A Guide to the Consumer Price Index: 15th series, 2005* (cat. no. 6440.0).

Initially, the PBLCI will be derived by combining the existing ALCIs for age pensioner households and other government transfer recipient households. Specifically, the PBLCI is calculated by summing the expenditure aggregates for these two population subgroups at the expenditure class level. Expenditure classes are the lowest level at which the expenditure weights are fixed for the duration of an index series. The new expenditure aggregates for the expenditure classes are then summed to produce an All groups expenditure aggregate. A price index is then calculated by comparing the new expenditure aggregate with that of the previous period.

INTERPRETING INDEX NUMBERS

Price indexes provide a convenient and consistent way of presenting price information that overcomes problems associated with averaging across diverse items. The index number for a particular period represents the average price in that period relative to the average price in some base period for which, by convention, the average price is set to equal 100.0.

A price index number on its own has little meaning. For example, a PBLCI All groups index number of say 109.4 in the September quarter 2009 says nothing more than the average price in September quarter 2009 was 9.4 per cent higher than the average price in the base year (when the index was set to 100.0). The value of index numbers stems from the fact that index numbers for any two periods can be used directly to calculate price change between the two periods.

Movements in indexes from one period to any other period can be expressed either as changes in index points or as percentage changes. The following example illustrates these calculations for the All groups PBLCI (weighted average of the eight capital cities) between the December quarter 2007 and the June quarter 2008. The same procedure is applicable for any two periods.

All groups PBLCI: Weighted average of eight capital cities.

	Index numbers:
June quarter 2008	104.7 (see Appendix 1)
less December quarter 2007	101.7 (see Appendix 1)
equals change in index points	3.0
Percentage change	$3.0/101.7 \times 100 = 2.9\%$

6. RELATIONSHIP TO THE CPI

RELATIONSHIP TO THE CPI

Conceptual differences

The purpose of a CPI or PBLCI is to measure changes over time in the general level of prices of goods and services that a reference population acquires, uses or pays for consumption. The simplest way of thinking about how this is achieved is to imagine a fixed basket of goods and services which is representative of purchases made by households. As prices of items in the basket vary, the total price of the basket will also vary. Hence the CPI or PBLCI is simply a measure of the change in the total price of this basket.

There are essentially three conceptually valid approaches to compiling a CPI.

- The acquisitions approach defines the basket as consisting of all those consumer goods and services acquired by households during the base period.
- The cost-of-use approach defines the basket as consisting of all those consumer goods and services consumed (or used up) in the base period irrespective of when they were acquired or paid for.
- The outlays approach defines the basket in terms of the amounts paid by households during the base period to gain access to consumer goods and services (without regard to the source of the funds).

There is no internationally recommended approach. Therefore, different countries use different approaches which they believe best suit the principal purpose of their CPI.

The item coverage of the Australian CPI is based on an acquisitions approach, and the PBLCI is based on an outlays approach. In practice, these conceptual distinctions are unimportant for most areas of household consumption because they either do not arise or are of no practical consequence. However, the distinctions may become important where:

- (i) the real value (or economic cost) of an item differs significantly from its price;
- (ii) an item is consumed over a long period of time; or
- (iii) expenditure is not directly related to quantities of specific goods and services (i.e. where expenditure cannot be directly computed as the product of a price and a quantity).

The acquisitions and outlays approaches result in very similar baskets. Both approaches include all those goods and services acquired during the base period. In addition the outlays approach includes payments which are not directly related to the acquisition of specific goods and services, but represent inescapable costs of acquisition or consumption (for example, interest charges).

Interest charges are incurred by those households that have financed purchases by borrowing. The total amount of interest incurred in any period typically bears no direct relationship to the quantities of specific goods or services acquired by households during the period. As such, interest charges are not included in an acquisitions index. However, because interest charges are incurred as a consequence of consumption decisions they are included in an outlays index. Conversely, house purchases and financial services are included in an acquisitions index such as the CPI, and omitted from an outlays index such as the PBLCI. Additionally, the relative importance of general insurance is accounted for on a different basis in each type of index: for an outlays index gross premiums are used, but net premiums are preferred for an acquisitions index.

6. RELATIONSHIP TO THE CPI *continued*

Conceptual differences continued

Although these alternative approaches are characterised by marked conceptual differences, these are more likely to result in short-term rather than long-term differences in outcomes (particularly so in the case of the acquisitions and outlays approaches). The expected long-term similarity of outcomes can be attributed to two factors. First, the conceptual distinctions are important for only a small proportion of total household consumption. Secondly, each approach covers a broad range of consumer goods and services which tend to exhibit similar long-term price behaviour in the absence of external shocks or institutional change.

Since the measurement of inflation was identified as the key purpose of the Australian CPI, and inflation is best estimated using an acquisitions approach, from the 13th series (September quarter 1998) the ABS has based the CPI on the acquisitions approach. Since the outlays approach is more appropriate for measuring changes in the purchasing power of money incomes this approach is used for the ALCIs and consequently the PBLCI.

Measurement differences

With the exception of interest charges, all price movements used in the PBLCI are sourced from the CPI. Price measures for interest charges have been maintained separately by the ABS on a basis comparable with those employed in the CPI prior to September quarter 1998.

The upper level weights for the PBLCI have been separately determined to better represent the reference population – age pensioner households and other government transfer recipient households.

As previously mentioned, weights are assigned to the PBLCI based on the 2003–04 HES expenditures. However, as the HES sample size is not currently considered large enough to provide reliable estimates for PBLCI households at the capital city level, the expenditure weights for PBLCI households are estimated using national expenditures. The CPI expenditure weights, on the other hand, are estimated at the capital city level.

The expenditure pattern of pensioner and beneficiary households can be quite different to that of the CPI reference population, that is all private metropolitan households. For example, food has a higher relative weight in the PBLCI than in the CPI, and education has a very small weight in the PBLCI. Some items from the CPI are completely excluded from the PBLCI. In the PBLCI, on some occasions, only concessional prices are selected. Concessional prices are used for many health items, urban transport fares, telecommunication charges, property rates, vehicle insurance, and utility charges in the PBLCI, whereas the CPI includes both concessional prices and full prices.

7. PROGRAM TO IMPROVE THE PBLCI

IMPROVING THE PBLCI

As described in chapter 5, the PBLCI will be initially derived by combining the indexes for age pensioner households and other government transfer recipient households. In the second phase, the ABS will expand the sample for the 2009–10 HES to include more households in the reference population i.e. age pensioner households and other government transfer recipient households.

An increase in sample size is necessary to improve the reliability of the overall estimates of household level expenditures by age pensioner and other government transfer recipient households. Without a large enough sample in each capital city where commodities are priced, there will not be sufficient coverage over the full year to account reliably for seasonal variations for the PBLCI reference population. It is important that the approach taken to developing the PBLCI and deriving the relative expenditure shares is coherent and robust.

The sample increase primarily addresses the need to have a significantly different weighting methodology for the PBLCI than for the CPI. Increasing the number of households in the reference population in the HES sample should enable the ABS to provide accurate estimates of expenditure for each of the capital cities. The new HES data will be analysed and it should be possible to use it to improve the weights for the PBLCI reference population from the September quarter 2011 onwards.

In the last phase the ABS will capture detailed information during processing from the expanded HES sample, analyse it to determine whether any additional price collections are needed to make the PBLCI more robust, and if so undertake those collections. For example, a detailed analysis may show that the types of items purchased by the PBLCI reference population move at a different rate than those purchased by the CPI population in general. If the differences are significant, then a more detailed approach to price collection may be warranted.

The timing of introduction of any changes to the PBLCI basket of goods and services cannot be determined at this point. The ABS will provide an update on this issue following analysis of the results of the information obtained during HES processing.

8. PUBLICATION ARRANGEMENTS

PUBLICATION ARRANGEMENTS

The headline PBLCI is an All Groups weighted average of the eight capital cities. It will be published on a quarterly basis commencing on 24 August 2009 in *Pensioner and Beneficiary Living Cost Index, Australia* (cat. no. 6467.0). It will have an index reference base of June quarter 2007 equal to 100.0 and will include index numbers for each of the eleven groups that make up the PBLCI basket. The index will only be published as a weighted average of the eight capital cities, and not for the individual capital cities.

The first quarterly issue will contain data for the period from the commencement of the series in June quarter 2007, to June quarter 2009. It will usually be published between three and four weeks after the release of the CPI. For consistency, the four existing ALCIs which are currently published annually in *Analytical Living Cost Indexes for Selected Australian Household Types* (cat. no. 6463.0) will also now be published quarterly from August 2009. None of these indexes will normally be revised.

APPENDIX 1 TIME SERIES

TIME SERIES

PENSIONER AND BENEFICIARY LIVING COST INDEX AND CPI, All groups index numbers and percentage changes

Quarters	INDEX NUMBERS		PERCENTAGE CHANGE (FROM PREVIOUS QUARTER)	
	PBLCI(a)(b)	CPI(c)	PBLCI	CPI
2007				
Jun-07	100.0	157.5	..	1.2
Sep-07	100.9	158.6	0.9	0.7
Dec-07	101.7	160.1	0.8	0.9
2008				
Mar-08	103.4	162.2	1.7	1.3
Jun-08	104.7	164.6	1.3	1.5

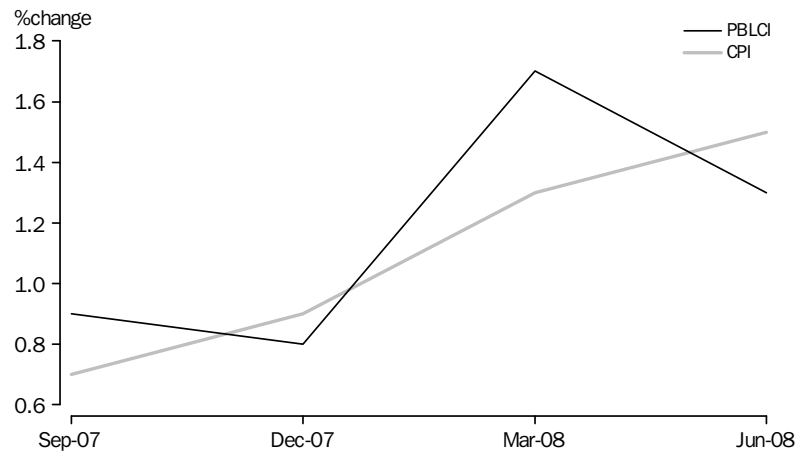
.. not applicable

(a) PBLCI figures are derived from the most recently published ALCI series

(b) Base of index: June quarter 2007 = 100.0

(c) Base of index: 1989-90 = 100.0

PENSIONER AND BENEFICIARY LIVING COST INDEX AND CPI, Percentage change from previous quarter



APPENDIX 2 TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI

TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI

The following table gives an indication of the types of items that are priced and where particular items are classified in the PBLCI structure (e.g. soy milk is classified as belonging to the expenditure class Milk).

The mention of an item in the table does not necessarily mean that there is a specific price sample for that item, nor does it mean that all the price samples are specifically listed.

TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI

Group, Subgroup, Expenditure Class

Examples of item coverage

FOOD

Dairy and related products

Milk	Fresh milk (including flavoured) and substitutes (e.g. soy milk)
Cheese	All types, including sliced and grated
Ice cream and other dairy products	Ice cream in tubs or carton, powdered and condensed milk, cream, yogurt and dairy snacks

Bread and cereal products

Bread	All types of bread
Cakes and biscuits	Cakes, pastries and biscuits
Breakfast cereals	All grain based breakfast cereals, including muesli
Other cereal products	All types of flour, rice, pasta and similar grain based products, including bran

Meat and seafoods

Beef and veal	All cuts of beef and veal; fresh, chilled and frozen, including mince
Lamb and mutton	All cuts of lamb and mutton; fresh chilled and frozen
Pork	All cuts of pork; fresh, chilled and frozen
Poultry	Pieces or whole poultry; fresh, chilled or frozen
Bacon and ham	All styles of bacon and ham; fresh and canned
Other fresh and processed meat	Sausages, salami and other processed meats, game meats, fresh, canned or frozen
Fish and other seafood	All seafoods; fresh, chilled, frozen, canned or processed

Fruit and vegetables

Fruit	All fruit; fresh and chilled, canned, dried or frozen
Vegetables	All vegetables; fresh and chilled, canned, dried or frozen

Non alcoholic drinks and snack food

Soft drinks, waters and juices	Carbonated and still non-alcoholic drinks and cordials, including water, fruit and vegetable juices
Snacks and confectionery	Corn and potato chips, nuts, chocolates, lollies, gum, water based ice confectionery, individual serve milk based confectionery

Meals out and take away foods

Restaurant meals	All meals eaten in restaurants, hotels, cafes etc offering full table service
Take away and fast foods	All take away and delivered meals and fast food suitable for immediate consumption

Other food

Eggs	Fresh, powdered and preserved eggs or parts of eggs (whites, yolks)
Jams, honey and sandwich spreads	Jams, honey, syrups, sandwich spreads and dips
Tea, coffee and food drinks	Tea (leaves, bags etc) and coffee (instant, ground etc), chocolate based food drinks
Food additives and condiments	Sugar and artificial sweeteners, salt, spices, sauces and pastes and salad dressings
Fats and oils	All butter, margarine and cooking oils
Food n.e.c	Foods not classified above, including canned and packet soups, baby foods, prepared meals (fresh and frozen requiring cooking/heating)

APPENDIX 2 TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI *continued*

TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI *continued*

<i>Group, Subgroup, Expenditure Class</i>	<i>Examples of item coverage</i>
ALCOHOL AND TOBACCO	
Alcoholic drinks	
Beer	Beer of all strengths recognised as alcoholic; bottles, cans and tap; purchases in bar, club, bottle shop and restaurant
Wine	Still and sparkling wine recognised as alcoholic; bottles, casks and glass; purchases in bar, club, bottle shop and restaurant
Spirits	Spirits; bottled, canned and glass; purchased in bar, club and bottle shop
Tobacco	
Tobacco	Cartons and packs of cigarettes, cigars and tobacco
CLOTHING AND FOOTWEAR	
Men's clothing	
Men's outerwear	Men's suits, jumpers, jeans, business and casual shirts, T-shirts and swimwear
Men's underwear, nightwear and socks	Men's briefs, singlets, pyjamas and socks
Women's clothing	
Women's outerwear	Women's dresses, blouses, suits, jeans and coats
Women's underwear nightwear and hosiery	Women's bras, briefs, nightwear, lingerie and hosiery
Children's and infants' clothing	
Children's and infants' clothing	Children's jeans, shorts, T-shirts, socks and underwear
Footwear	
Men's footwear	All men's footwear except sport or game specific footwear
Women's footwear	All women's footwear except sport or game specific footwear
Children's footwear	Children's shoes, sandals, general sports shoes and baby shoes
Accessories and clothing services	
Accessories	Items complementary to clothing including hats, wallets, non-prescription sunglasses, watches, luggage and jewellery
Clothing services and shoe repairs	Clothing and footwear services including dry cleaning, shoe repairs, and dressmaking
HOUSING	
Rents	
Rents	Rent paid to private and government landlords, including housing authorities (e.g. Defence Housing Authority)
Utilities	
Electricity	Electricity charges and connection fees
Gas and other household fuels	Mains and bottled gas including connection fees, and other household fuels such as firewood, briquettes and heating oil
Water and sewerage	Water supply and sewerage charges
Other housing	
Property rates and charges	State and local council property based rates and charges except water and sewerage
House repairs and maintenance	Materials and labour costs for repairs and maintenance to dwellings
HOUSEHOLD CONTENTS AND SERVICES	
Furniture and furnishings	
Furniture	All household furniture (including outdoors), lamps, ornaments, pictures and the like
Floor and window coverings	All floor and window coverings, including ceramic and vinyl tiles
Towels and linen	Bathroom, bedroom, table and kitchen linen, blankets and pillows

APPENDIX 2 TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI *continued*

TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI *continued*

<i>Group, Subgroup, Expenditure Class</i>	<i>Examples of item coverage</i>
HOUSEHOLD CONTENTS AND SERVICES <i>cont.</i>	
Household appliances, utensils and tools	
Major household appliances	Purchase, hire and repair of all major household appliances not permanently fixed such as refrigerators and washing machines
Small electric household appliances	Purchase and hire of smaller electrical appliances such as toasters and kettles
Glassware, tableware and household utensils	Dinner sets, cutlery, stoneware, steak knives, pots, pans, cookware, brooms and mops
Tools	Lawnmowers, garden tools, electric drills and paint brushes
Household supplies	
Household cleaning agents	Laundry soaps and powders, bleach, disinfectants and polishes
Toiletries and personal care products	Cosmetics, toothpaste, shampoo, soaps, body deodorants, nappies, shavers and hairdryers
Other household supplies	Other items used in households, including toilet paper, insect repellent, garbage bags and aluminium foil
Household services	
Childcare	Full-time and part-time care of children by either community, private or family based day care
Hairdressing and personal care services	Includes haircuts, hair removal, weight loss and ear piercing services
Other Household services	Includes house cleaning, lawn mowing, gardening and pest control services; furniture removal and storage
HEALTH	
Health services	
Hospital and medical services	Medical insurance, doctor and specialist fees, other medical and practitioner fees and hospital charges
Optical services	Opticians fees, prescription spectacles and repairs
Dental services	Dentists fees including fillings, dentures and braces
Pharmaceuticals	
Pharmaceuticals	Prescription medicines, vaccines and treatments, cold-relief products, vitamins, band-aids, antiseptic, sunscreen, skin treatment and therapeutic appliances
TRANSPORTATION	
Private motoring	
Motor vehicles	Purchase and long term hire/lease of new cars and motor cycles
Automotive fuel	Unleaded petrol, lead replacement petrol, diesel and LPG
Motor vehicle repair and servicing	Crash repairs, panel beating and routine servicing of motor vehicles
Motor vehicle parts and accessories	Separately purchased parts and accessories for motor vehicles including motor oils and tyres
Other motoring charges	Motor vehicle registration, driver license fees, parking fees, driving lessons and tollway charges
Urban transport fares	
Urban transport fares	Bus, train, ferry, tram and taxi fares, not for holiday travel
COMMUNICATION	
Communication	
Postal	Stamps, prepaid postage envelopes and postal delivery charges
Telecommunication	Local and long distance calls, connection fees, mobile phone services, internet and broadband services
RECREATION	
Audio, visual and computing	
Audio, visual and computer equipment	Equipment including televisions, videos, computer hardware and stereos
Audio, visual and computing media and services	Media including blank and pre-recorded DVDs, CDs, computer software (except games) and photographic media; all forms of stationery; services such as DVD rental, photographic media processing and pay television

APPENDIX 2 TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI *continued*

TYPES OF GOODS AND SERVICES PRICED IN THE PBLCI *continued*

Group, Subgroup, Expenditure
Class

Examples of item coverage

RECREATION *cont.*

Books, newspapers and magazines

Books	Fiction, non fiction, hardback and paperback
Newspapers and magazines	Newspapers, comics, magazines and catalogues

Sports and recreational equipment

Sports and recreational equipment	Purchase and repair of equipment used in playing sport (including specialist footwear) and for recreation, including camping equipment
Toys, games and hobbies	Console games, musical instruments, toys, board games and hobby materials
Sports participation	Fees and charges for playing sport including lessons, ground fees, gym fees and equipment hire
Pets, pet foods and supplies	Pets, pet foods, aquariums and other items for the housing and care of pets
Pet services including veterinary	Services to care for animals, including veterinary, kennel and stable fees
Other recreational activities	Other recreation and entertainment expenses including admission fees to live events (e.g. cinema, amusement parks etc)

Holiday travel and accommodation

Domestic holiday travel and accommodation	Air, sea and rail travel, car hire, hotel and motel accommodation and package charges for holidays in Australia
Overseas holiday travel and accommodation	Air, sea and rail travel, car hire, hotel and motel accommodation and package charges for holidays overseas

EDUCATION

Education

Preschool and primary education	Private and government preschool and primary education fees
Secondary education	Private and government secondary education fees
Tertiary education	Private and government tertiary education fees

FINANCIAL AND INSURANCE SERVICES

Interest charges

Interest charges	Mortgage and other interest charges
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Insurance services

Insurance services	Comprehensive insurance for dwellings and motor vehicles, compulsory third party motor vehicle insurance services.
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APPENDIX 3 WEIGHTING PATTERN OF THE PBLCI

PERCENTAGE CONTRIBUTION TO PENSIONER AND BENEFICIARY LIVING COST INDEX, ALL GROUPS INDEX—JUNE QUARTER 2007

	PERCENTAGE CONTRIBUTION		
	<i>Group</i>	<i>Subgroup</i>	<i>Expenditure Class</i>
FOOD	20.55		
Dairy and related products		1.97	
Milk			1.01
Cheese			0.49
Ice cream and other dairy products			0.46
Bread and cereal products		2.86	
Bread			1.15
Cakes and biscuits			1.15
Breakfast cereals			0.31
Other cereal products			0.25
Meat and seafoods		3.78	
Beef and Veal			0.80
Lamb and mutton			0.44
Pork			0.27
Poultry			0.67
Bacon and Ham			0.36
Other fresh and processed meat			0.70
Fish and other seafood			0.55
Fruit and vegetables		3.95	
Fruit			1.86
Vegetables			2.09
Non-alcoholic drinks and snack food		2.42	
Soft drinks waters and juices			1.04
Snacks and confectionery			1.38
Meals out and take away foods		2.94	
Restaurant meals			1.13
Take away and fast foods			1.81
Other food		2.63	
Eggs			0.19
Jams, honey and sandwich spreads			0.25
Tea, coffee and food drinks			0.48
Food additives & condiments			0.46
Fats and oils			0.41
Food n.e.c.			0.84
ALCOHOL AND TOBACCO	8.78		
Alcoholic drinks		4.31	
Beer			2.18
Wine			1.24
Spirits			0.89
Tobacco		4.47	
Tobacco			4.47
CLOTHING AND FOOTWEAR	4.55		
Men's clothing		0.88	
Men's outerwear			0.70
Men's underwear, nightwear and socks			0.18
Women's clothing		1.68	
Women's outerwear			1.25
Women's underwear nightwear and hosiery			0.43
Children's and infants' clothing		0.54	
Children's and infants' clothing			0.54
Footwear		0.89	
Men's footwear			0.27
Women's footwear			0.43
Children's footwear			0.18

APPENDIX 3 WEIGHTING PATTERN OF THE PBLCI *continued*

PERCENTAGE CONTRIBUTION TO PENSIONER AND BENEFICIARY LIVING COST INDEX, ALL GROUPS INDEX—JUNE QUARTER 2007 *continued*

	PERCENTAGE CONTRIBUTION		
	Group	Subgroup	Expenditure Class
CLOTHING AND FOOTWEAR <i>cont.</i>	4.55		
Accessories and clothing services		0.56	
Accessories			0.37
Clothing services and shoe repair			0.19
HOUSING	18.44		
Rents		9.18	
Rents			9.18
Utilities		4.61	
Electricity			2.69
Water and sewerage			0.80
Gas and other household fuels			1.11
Other housing		4.65	
Property rates and charges			1.91
House repairs and maintenance			2.74
HOUSEHOLD CONTENTS AND SERVICES	10.29		
Furniture and furnishings		2.77	
Furniture			1.70
Floor and window coverings			0.70
Towels and linen			0.37
Household appliances utensils and tools		2.12	
Major household appliances			0.84
Small electric household appliances			0.28
Glassware, tableware and household utensils			0.51
Tools			0.49
Household Supplies		3.68	
Household cleaning agents			0.48
Toiletries and personal care products			1.20
Other Household Supplies			2.00
Household Services		1.73	
Childcare			0.12
Hairdressing and personal care services			0.70
Other household services			0.90
HEALTH	4.99		
Health services		3.26	
Hospital and medical services			2.51
Optical services			0.14
Dental services			0.61
Pharmaceuticals		1.73	
Pharmaceuticals			1.73
TRANSPORTATION	11.36		
Private motoring		10.87	
Motor vehicles			2.85
Automotive fuel			4.87
Motor vehicle repair and servicing			1.45
Motor vehicle parts and accessories			0.85
Other motoring charges			0.86
Urban transport fares		0.49	
Urban transport fares			0.49
COMMUNICATION	4.08		
Communication		4.08	
Postal			pfi ½
Telecommunication			èËá

APPENDIX 3 WEIGHTING PATTERN OF THE PBLCI *continued*

PERCENTAGE CONTRIBUTION TO PENSIONER AND BENEFICIARY LIVING COST INDEX, ALL GROUPS INDEX—JUNE QUARTER 2007 *continued*

PERCENTAGE CONTRIBUTION			
	<i>Group</i>	<i>Subgroup</i>	<i>Expenditure Class</i>
RECREATION	10.13		
Audio, visual and computing		2.32	
Audio, visual and computing equipment			1.00
Audio, visual and computing media and services			1.32
Books (<i>newspapers and magazines</i>)		1.01	
Books (<i>newspapers and magazines</i>)			0.29
Newspapers and magazines (<i>newspapers and magazines</i>)			0.72
Sport and other recreation		3.79	
Sport and recreational equipment			0.51
Toys, games and hobbies			0.53
Sports participation			0.65
Pets, pet food and supplies			0.67
Pet Services including veterinary			0.47
Other recreational activities			0.95
Holiday travel and accommodation		3.00	
Domestic holiday travel and accommodation			1.89
Overseas holiday travel and accommodation			1.12
EDUCATION	1.15		
Education		1.15	
Preschool and primary education			0.25
Secondary education			0.34
Tertiary education			0.56
FINANCIAL AND INSURANCE SERVICES	5.69		
Interest charges		2.44	
Interest charges			2.44
Insurance		3.25	
Insurance services			3.25
ALL GROUPS^(a)	100.00	100.00	100.00

(a) Percentages may not add due to rounding

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