

# Household Living-costs Price Indexes: September 2016 quarter

Embargoed until 10:45am – 08 November 2016

## Key facts

Household living-costs price indexes (HLPIs) provide new insights into the inflation experienced by 13 different household groups:

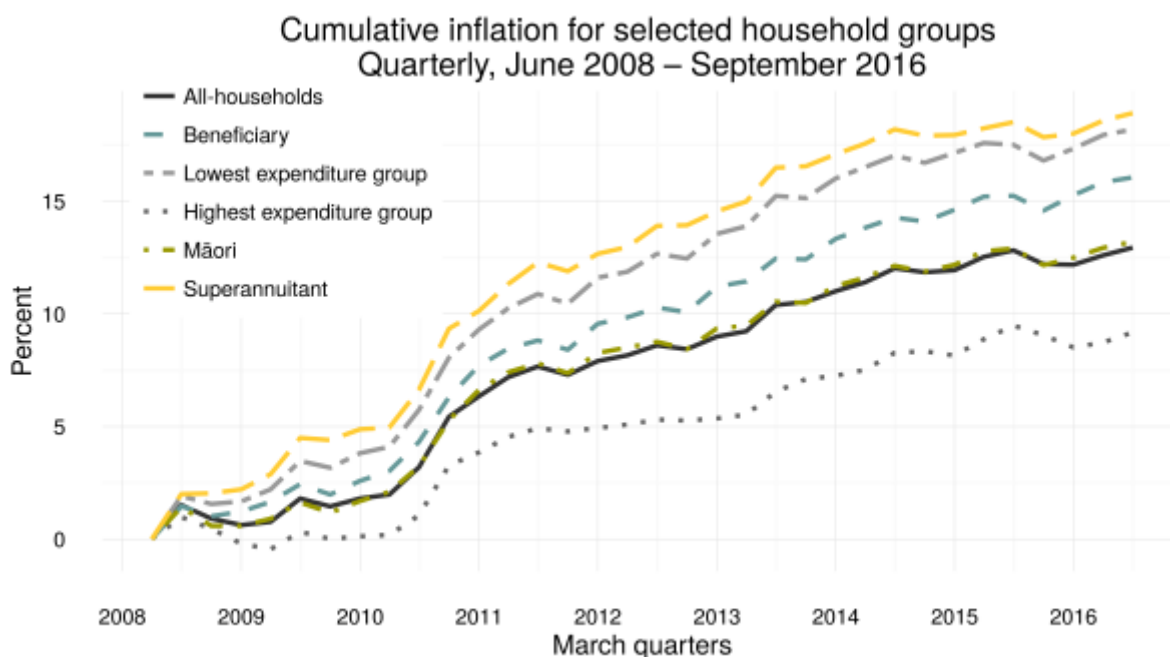
- beneficiaries
- Māori
- income quintiles (five groups)
- expenditure quintiles (five groups)
- superannuitants.

We publish an all-households HLPI for comparison.

The HLPIs are different from the overall basket of inflation as measured by the consumers price index (CPI). The CPI measures price changes experienced for New Zealand households overall. As a national average, the CPI does not reflect price changes for different groups in society. HLPIs also include mortgage-interest payments in place of 'construction of newly built houses'.

See [Household living-costs price indexes: Background](#) for further background information on these new indexes.

Figure 1



Source: Statistics NZ

## Long-term picture

In the September 2016 quarter compared with the June 2008 quarter:

- superannuitants experienced 19 percent inflation
- the highest-expenditure household group experienced 9.1 percent inflation
- the lowest-expenditure household group experienced 18 percent inflation
- beneficiaries experienced 16 percent inflation
- Māori households experienced 13 percent inflation
- households overall experienced 13 percent inflation.

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## Commentary

- Superannuitants experience highest inflation
- Inflation experienced by lowest-expenditure households double that of the highest
- Typical shopping baskets differ across households
- Differences between HLPs and the CPI

### Superannuitants experience highest inflation

Superannuitants experienced 19 percent inflation between the June 2008 quarter and the September 2016 quarter – the highest of all the household groups. This compares with 13 percent overall inflation for all households combined. In comparison, the average weekly earnings used to index super payments increased 27 percent over the same period.

Superannuitants are more likely to own their own home outright, with just 12 percent of this group making mortgage interest payments compared with 34 percent for households overall. Interest payments declined sharply in 2008–09, following global-financial-crisis-related reductions in the official cash rate (OCR). This decrease had a smaller effect on the experience of inflation for superannuitant households than for the average household.

Superannuitant households spend more on property rates and on insurance than the average household, both of which have increased faster than inflation overall since the June 2008 quarter.

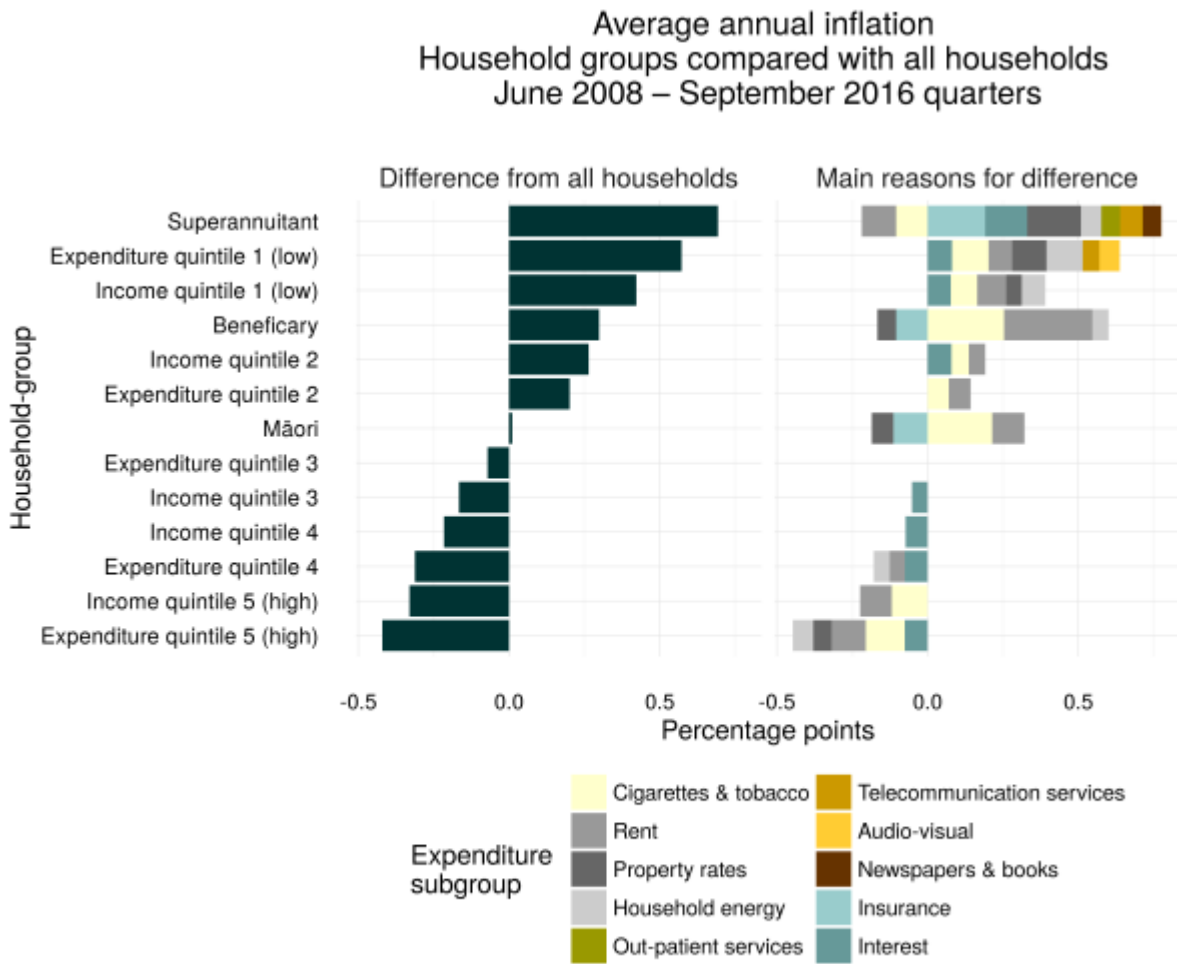
### Inflation experienced by lowest-expenditure households double that of the highest

The highest-expenditure group (expenditure quintile 5 – the top 20 percent of households ranked by their expenditure) experienced 9.1 percent inflation between the June 2008 and September 2016 quarters, compared with 18 percent for people in the lowest-expenditure group (expenditure quintile 1).

Differences in home-ownership rates account for much of this difference – 83 percent of households in the highest-expenditure group own compared with 55 percent in the lowest-expenditure group. Rent has risen at a faster rate than inflation overall, and interest payments declined sharply in 2008–09.

Household energy and property rates have also risen at a faster rate than inflation overall, which has had more of an impact on lower-expenditure households than on higher-expenditure households. The highest-expenditure group spent more on audio-visual items, which have had significant price falls over the last eight years.

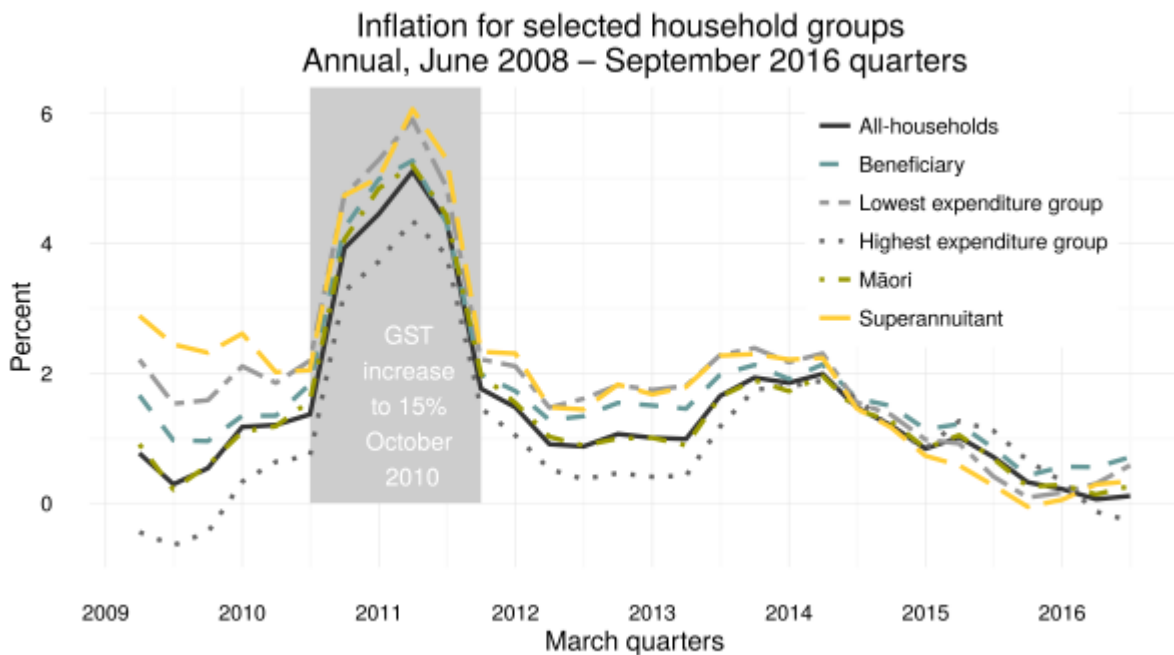
**Figure 2**



Source: Statistics NZ

Beneficiaries also experienced higher-than-average inflation – 16 percent between the June 2008 and September 2016 quarters. As with low-expenditure households, costs such as rent and household energy had more of an impact on beneficiary households – due to lower home-ownership rates. Only 25 percent of beneficiary households own their own home. The difference in inflation experience is also influenced by higher-than-average expenditure on cigarettes and tobacco within beneficiary households, with prices for cigarettes and tobacco being more than double what they were in the June 2008 quarter. Figure 3 shows that beneficiary households have consistently experienced higher inflation than the all-households group over time.

Figure 3



Source: Statistics NZ

## Typical shopping baskets differ across households

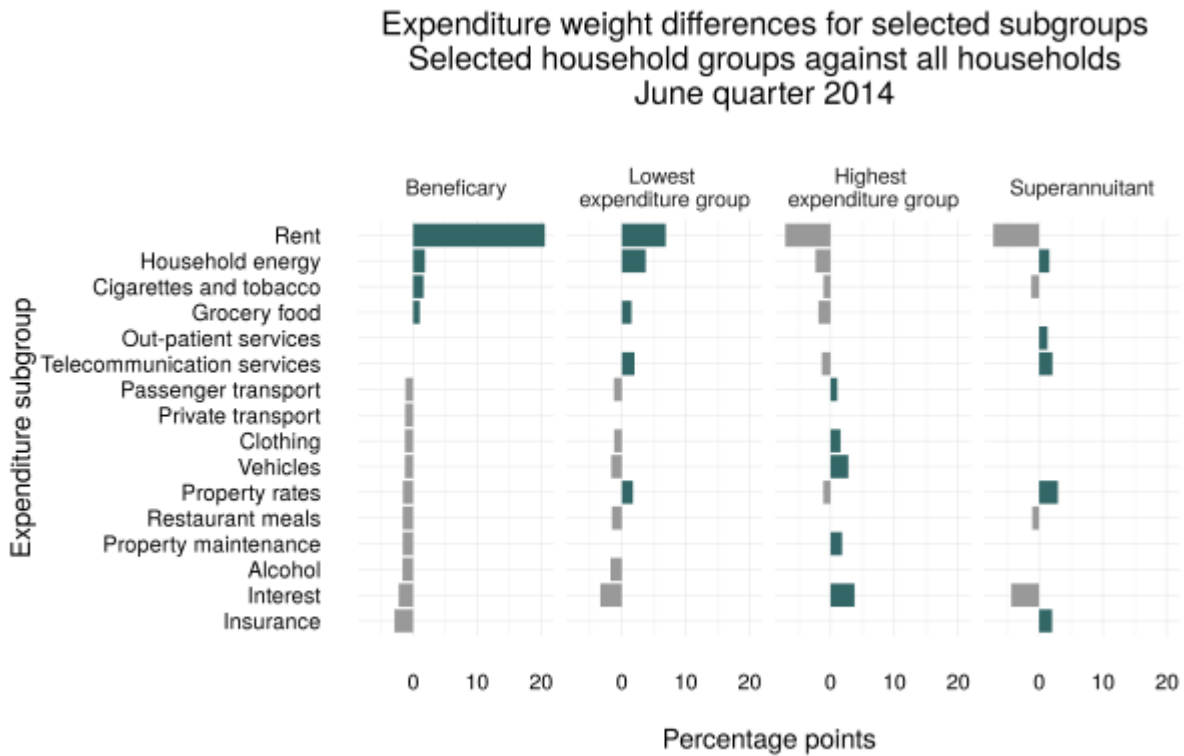
There are some significant differences in the make up of the typical basket of goods and services across households.

For example, the highest-expenditure household group spends proportionally less than average on rent, food, and household energy, and proportionally more than average on interest payments, purchase of vehicles, property maintenance, and clothing.

The lowest-expenditure household group spends proportionally less than average on interest, alcoholic beverages, and purchase of new vehicles, and proportionally more than average on rent, household energy, telecommunication services, and property rates.

Figure 4 shows the difference in expenditure patterns for four of the HLPs, highlighting some of the goods and services being purchased in different proportions by the different household groups.

Figure 4



Source: Statistics NZ

See *hlpi\_weights.csv* in the 'Downloads' box for a complete dataset of these weights. This includes expenditure information for each group and subgroup across the 14 HLPI household types at 2008, 2011, and 2014.

## Differences between HLPs and the CPI

The CPI is an aggregate measure that represents the price change experienced **on average** by households. This makes it well suited for use as a macroeconomic indicator.

The HLPs provide extra indexes to reflect changes in the purchasing power of incomes for different demographic groups, as recommended by the 2013 CPI Advisory Committee.

The conceptual framework for the HLPs is a 'payment' approach. This approach is noted by the International Labour Organisation as often being used "when the primary purpose of the index is for the adjustment of compensation or income". The payment approach tracks the price change for goods and services 'paid for', regardless of when they are acquired or used. In contrast, the CPI uses an 'acquisition' approach, reflecting price changes for goods and services when they are acquired.

Interest payments are excluded from the CPI, as it is used as a monetary policy target. Including interest in the inflation target would create a circular link with the OCR, which is the key monetary-policy tool. HLPs do include mortgage-interest payments and a link to market-value property prices to maintain the purchasing power underlying these payments. Mortgage debt is quality-adjusted using a market-value property price index (Quotable Value's house price index) and other debt is quality-adjusted using the CPI (as a broad measure of inflation).

See [Household living-costs price indexes: Background](#) for more information on the HLPs.

For more detailed data see the tables in the 'Downloads' box.

## Definitions

**All households:** All private New Zealand-resident households. This is the target population for the Household Economic Survey (HES).

**Beneficiary:** Households where the highest-income recipient receives a benefit payment, classified as a 'main benefit' in HES. In the 2012/13 survey, the following were classified as main benefits: Student allowance, Youth payment/Young parent payment, Orphan's benefit, Unsupported child's benefit, Jobseeker support, Sole parent support, Supported living payment, Emergency benefit, and Emergency maintenance allowance.

**Māori:** Households where at least one member has reported Māori ethnicity (as one of their ethnicities).

**Superannuitant:** Households where the highest-income recipient received a New Zealand government pension.

**Expenditure (quintiles):** Equivalised household expenditure. Five groups from low to high.

**Income (quintiles):** Equivalised household disposable income. Five groups from low to high.



## **Related links**

### **Next release**

*Household Living-costs Price Indexes: December 2016 quarter* will be released on 2 February 2017.

To [subscribe to information releases](#), including this one, please complete the online subscription form.

The [Release calendar](#) lists all our upcoming information releases by date of release.

### **Past releases**

See [Household living-costs price indexes: Background](#) for background information on these indexes.

### **Data quality**

See [Household Living-costs Price Indexes methodology – DataInfo+](#) for general methodology used to produce quarterly HLPI statistics.

### **Related information**

[Consumers Price Index](#) measures price change of goods and services purchased by New Zealand households.

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**Email:** [info@stats.govt.nz](mailto:info@stats.govt.nz)

## Tables

See the Excel tables in the 'Downloads' box on this page. If you have problems viewing the files, see [opening files and PDFs](#).

- 1.01 Household living-cost price indexes, all groups – index numbers
- 1.02 Household living-cost price indexes, all groups, percentage change from previous quarter
- 1.03 Household living-cost price indexes, groups and subgroups, percentage change from same quarter of previous year

## Access more data on Infoshare

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Subject category: **Economic indicators**

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