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## Regional Price Index 2017

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# Regional Price Index 2017



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## Summary

The 2017 Regional Price Index (RPI) is the eighth State Government Index contrasting the cost of a common basket of goods and services at a number of regional locations to the Perth metropolitan region. The RPIs were commissioned to assist with the calculation of the Government's regional district allowance, and it has been used to assist in policy decision-making. The private sector also uses the RPI when setting regional wages and salaries.

The RPI provides an insight into differences in regional consumer costs. The 2017 RPI comprised a basket of more than 600 goods and services, which were priced in 27 centres around Western Australia.

In keeping with previous index results, the 2017 RPI results reflect the increased prices of goods and services relative to Perth for regional locations and locations considerably distant from Perth. The middle and southern regions of the state have demonstrated a moderation in prices, reflective of the end of the mining construction boom.

Overall, prices were the highest in the Kimberley region, followed by the Pilbara and Gascoyne regions. In the Kimberley region, all areas have decreased in relative cost since the 2015 RPI except for housing, which remains high compared to the Perth metropolitan area.

In the Pilbara, most areas have decreased in relative cost since the 2015 RPI, with the exceptions being the health and personal care and clothing categories. In the Gascoyne, prices have moderated somewhat lower compared to 2015, with the exceptions being cigarette and alcohol and health and personal care.

Prices in the Wheatbelt, Mid West, Goldfields-Esperance, Great Southern and South West regions are all generally comparable to Perth's prices overall. Household equipment and recreation was higher in all five regions compared to Perth. Food, cigarettes and alcohol and clothing were higher in the Wheatbelt, Mid West and Goldfields-Esperance regions compared to Perth.

Prices in the Peel were slightly lower overall compared to Perth metropolitan prices. This continues a trend that has been observed since 2011. Household equipment was the single group in this region which cost more overall when compared to Perth prices.

A more detailed breakdown, contrasting the eight commodity groups across regions, is available in the following maps.

## Introduction

The Regional Price Index (RPI) is produced by the Department of Primary Industries and Regional Development, on behalf of the State Government, with funding currently provided through the Royalties for Regions program. The aim of the project is to create a spatial index, a comparison of location-based prices for a common basket of goods, with Perth<sup>1</sup> as the basis for comparison with each regional location. The RPI is used as one component for calculating the District Allowance for public servants working in regional Western Australia; and by the private sector to assist in setting regional wages and salaries. It is also used in regional policy deliberations.

The basket of more than 600 goods and services allows for a reasonable estimate of the difference in retail prices across a wide range of household costs. The basket permits the construction of a comparative index of costs, which are indicative of the differences of the cost of living at different locations around the state.

In 2017, 27 locations were surveyed capturing the majority of the population in each of the nine non-metropolitan regions within Western Australia.

In the Perth basket of goods, 18 supermarkets across six suburbs (three in each locality) were priced for each commodity within the grocery components of the basket. These prices were then averaged to create a representative total for Perth. The representative total for each regional location was then contrasted, using index numbers, to indicate whether prices were more or less expensive than Perth.

<sup>1</sup>Perth in this context refers to the metropolitan area not the local government area

## Background

The State Government produced the first Regional Price Index in 1998, with a common basket of 500 goods and services (approximately), across 21 regional locations capturing the majority of Western Australia's regional population. The project was followed by a second Price Index in 1999 and a third at the end of 2000, printed in 2002. These projects not only contrasted prices between locations (spatial index), but the movement of prices across years (temporal index). This was possible because there were minimal changes to the commodities and services that comprised the basket of goods being priced over consecutive years.

Due to stakeholder demand, a fourth index was undertaken in 2006, which was released in 2007. The 2007 Regional Price Index used a smaller basket than in previous projects, but was substantial enough to provide a respectable comparison of prices.

A fifth index was commissioned in 2011.

The basket size was increased to approximately 500 goods and services (similar to the baskets used from 1998 to 2000). The number of regional locations was increased to 27, incorporating some remote and smaller locations. This was the first index to be formally used in setting the district allowance. It was also the first price collection to use the Community Resource Centre Network (CRCs) to collect prices.

The 2013, 2015 and 2017 indexes were also collated with the assistance of the CRCs.

Prices were collected from 27 regional locations for the 2017 index, and more than 600 goods and services were priced.

## Locations

In 2017, regional prices were collected from the following regional locations:

### Gascoyne:

Carnarvon and Exmouth.

### Goldfields-Esperance:

Esperance, Kalbarrie and Norseman.

### Great Southern:

Albany and Denmark.

### Kimberley:

Broome, Derby, Halls Creek, Wyndham and Kununurra.

### Mid West:

Geraldton, Kalbarri and Meekatharra.

### Peel:

Byford and Mandurah.

### Pilbara:

Karratha, Newman and Port Hedland.

### South West:

Bunbury and Busselton.

### Wheatbelt:

Gingin, Narrogin, Northam, Southern Cross and Toodyay.

Perth was represented by average prices collected in the localities of **Armadale, Booragoon, Cannington, Innaloo, Joondalup** and **Midland**. Where possible, prices were collected from three retail outlets for each of the eight categories of commodities. For example, 18 supermarkets were priced in Perth, three in each locality. It is not always possible to find three retail/service outlets of the same type in regional locations, so prices were collected from as many outlets as possible to a maximum of three of one type.

## Basket of Goods

The basket of goods consisted of items which are then divided into eight broad categories. The eight categories are derived from the Australian Bureau of Statistics Consumer Price Index and include:

### Food:

Dairy, cereals, meat and seafood, fruit and vegetables, drinks, snacks and confectionery, other foods and meals out and takeaway foods.

### Alcohol and Tobacco:

Tobacco, beer, wine and spirits.

### Clothing:

Male and female clothing (adult and children).

### Housing:

Rates and charges, rents, cost of utilities, credit charges and insurance.

### Household Equipment and Operation:

Kitchen and household utensils, household supplies, household appliances, bedroom furniture and accessories, household services and communication services.

### Health:

Hospital, dental, optical and pharmaceutical services.

### Transportation:

Motor vehicles, fuel, parts and charges.

### Recreation:

Newspapers and magazines, audio, visual and computing equipment, sporting goods and services, and toys, and pets.

It is important to note that in contrast to previous years' RPIs, this category omits pricing for the cost of education, and so this group is not able to be directly compared to previous years' results.



## Weights

The RPI is a weighted index. Not all of the items in the basket of goods are consumed at the same rate. For example, milk may be purchased on a daily or weekly rate depending on the size of the family, whereas a car may be purchased every three to five, or ten years depending on circumstances. Some goods may not be essential (e.g. biscuits) and others play an important part of our daily existence (e.g. electricity). Weighting is a technique used to give priority to those items considered of greater importance.

The weights used in this project are based on those used for the Consumer Price Index (CPI) for Perth, produced by the Australian Bureau of Statistics (ABS). The value of the weight, for each category/commodity in the CPI basket is set using a household expenditure survey, also conducted by the ABS for the CPI.

As a result, the consumption patterns are based on the average consumption patterns for Perth. This is an essential limitation as it is important to use the same weights and the same basket of goods if the resulting indices are to be comparable. The guiding principle of this project is “to compare the cost of a common basket of goods at different locations around Western Australia”.

Weights were also used to compile the regional index numbers. Regional index numbers are the aggregate of location numbers for a region. A price index should reflect the purchasing patterns of the majority of a population, ensuring the greatest coverage and capturing the most indicative prices from where market forces operate most effectively. As a result, population centres were weighted reflecting their share of the region's population. This allowed prices in larger population centres to be given prominence, reflecting their greater representative share of the population and hence purchasing power.



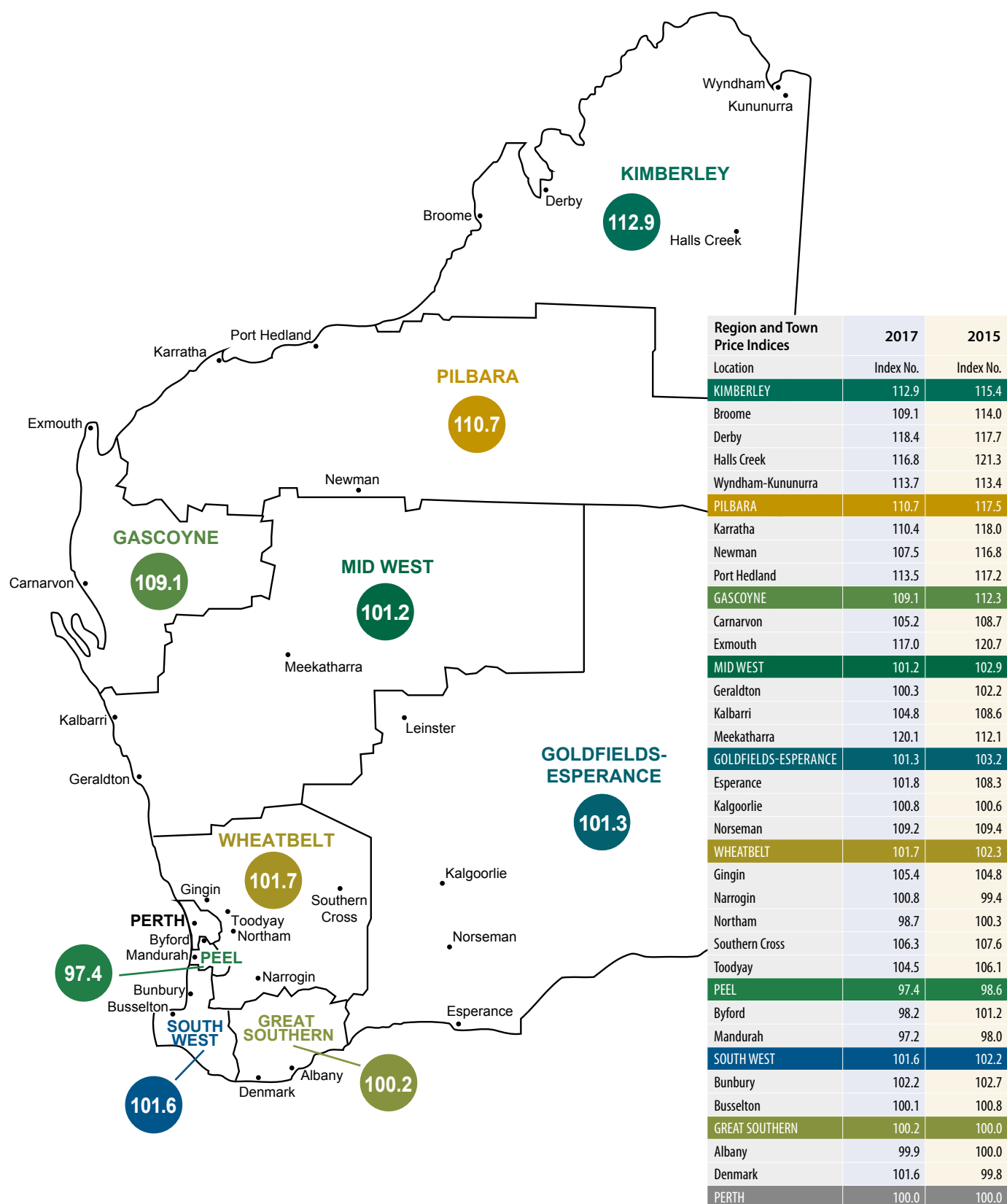
## Regional Results – A Comparison Between 2015 and 2017

Index numbers 2017								
	KIMBERLEY	PILBARA	GASCOYNE	MID WEST	GOLDFIELDS- ESPERANCE	WHEATBELT	PEEL	GREAT SOUTHERN
Overall	112.9	110.7	109.1	101.2	101.3	101.7	97.4	101.6
Basket								
Food	112.4	110.3	108.5	106.4	108.7	104.3	99.5	100.9
Cigarettes, tobacco, alcohol	109.3	101.6	108.5	106.1	104.3	105.5	100.3	98.5
Clothing	102.2	103.7	111.5	104.4	99.1	108.4	97.4	105.0
Housing	117.8	120.6	111.5	94.8	96.5	97.0	93.9	101.4
Household equipment and operation	113.6	106.1	110.7	103.4	101.4	107.0	102.0	103.5
Health and personal care	108.1	111.6	107.9	98.5	109.3	102.0	99.1	101.7
Transport	106.0	101.9	101.7	100.7	100.8	99.5	96.7	101.5
Recreation	104.2	108.0	110.7	105.2	102.3	102.2	97.9	100.7
								104.4

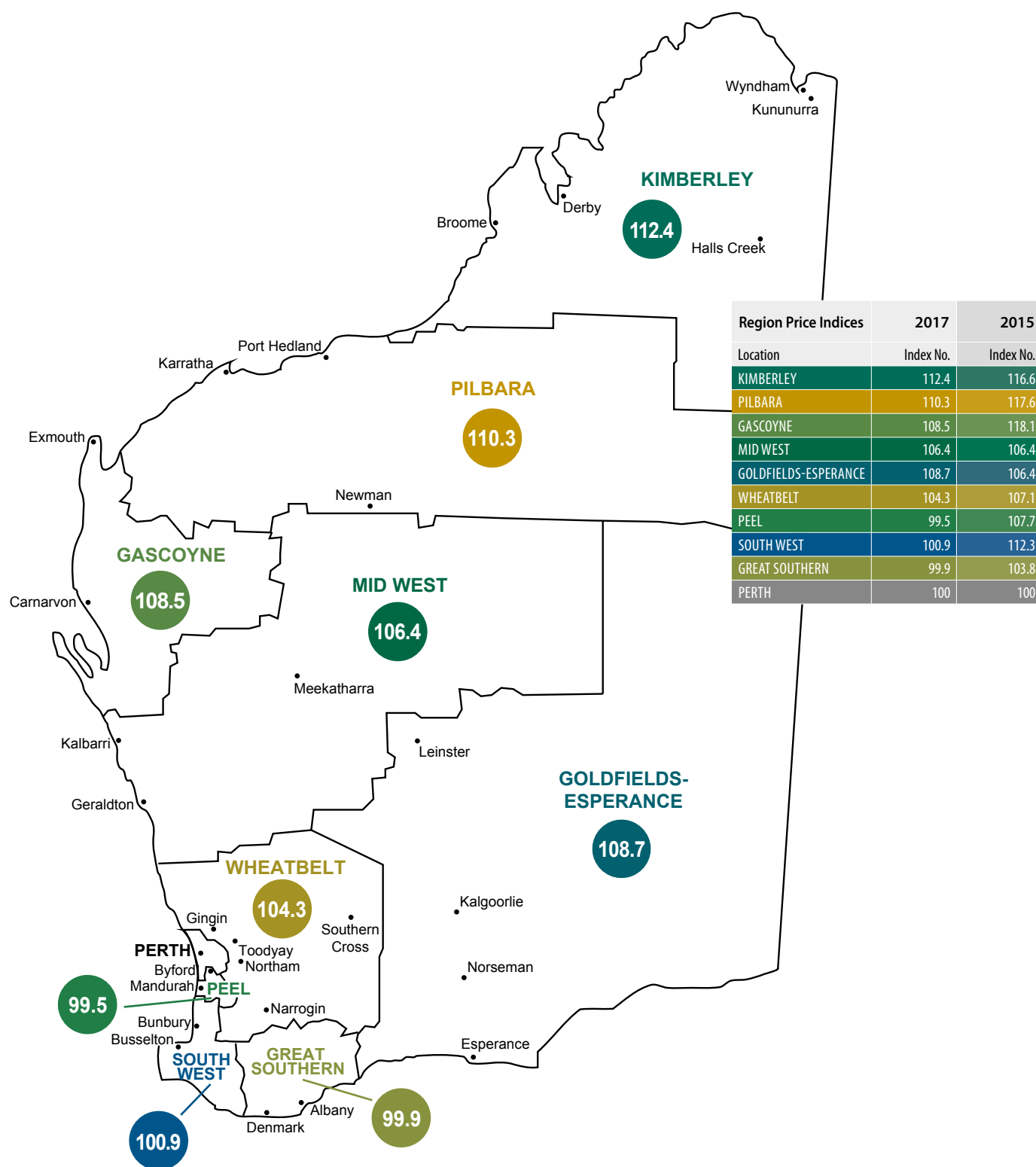
## Regional Results – A Comparison Between 2015 and 2017

Index numbers 2015								
	KIMBERLEY	PILBARA	GASCOYNE	MID WEST	GOLDFIELDS- ESPERANCE	WHEATBELT	PEEL	GREAT SOUTHERN
Overall	115.4	117.5	112.3	102.9	103.2	102.3	98.6	102.2
Basket								
Food	116.6	117.6	118.1	106.4	106.4	107.1	107.7	112.3
Cigarettes, tobacco, alcoholic drinks	109.7	104.3	108.1	100.9	103.9	105.7	97.0	99.1
Clothing	120.3	99.0	130.8	98.2	105.6	100.4	103.4	109.0
Housing	115.4	132.2	112.0	98.4	94.4	94.2	94.4	99.2
Household equipment and operation	122.3	115.4	119.7	114.8	111.9	105.3	101.4	103.4
Health and personal care	112.5	116.9	108.4	109.9	108.9	103.7	98.4	100.7
Transport	110.0	115.6	107.1	101.7	107.0	106.1	95.2	100.5
Recreation and education	112.4	97.9	101.0	95.7	101.9	106.2	96.2	96.7
								100.0

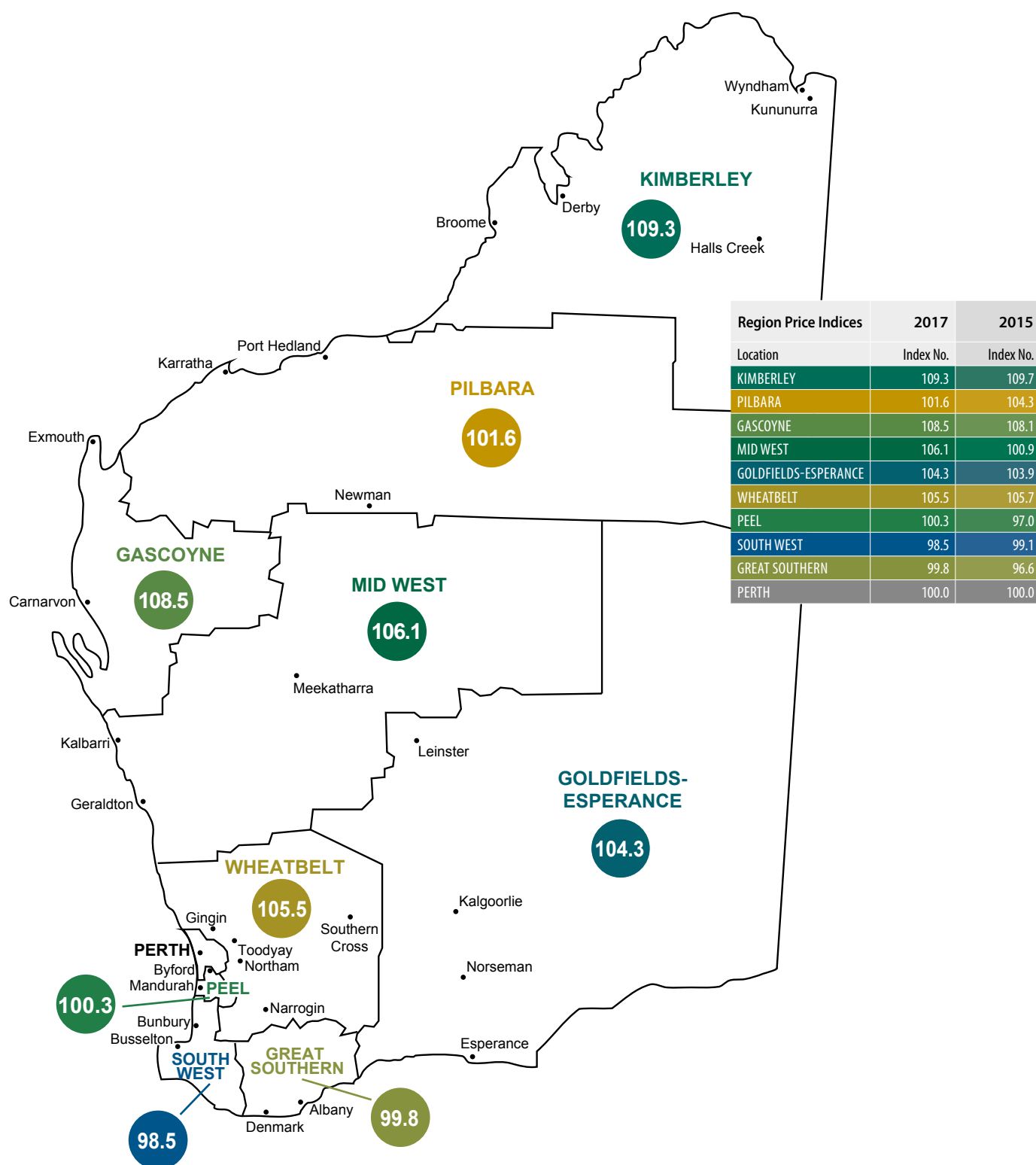
## Map 1: Region and Town Price Indices



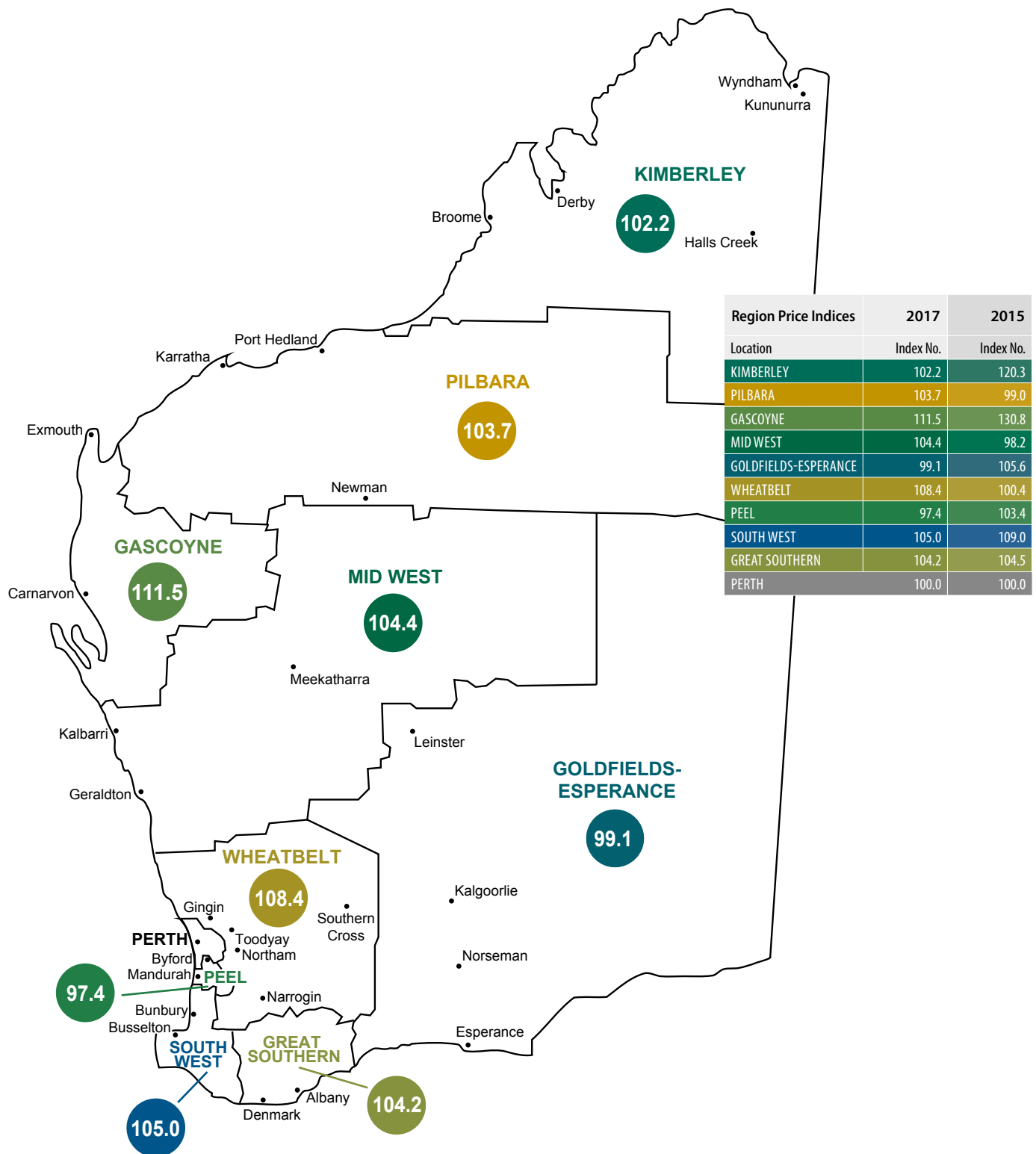
## Map 2: Food Commodity Group



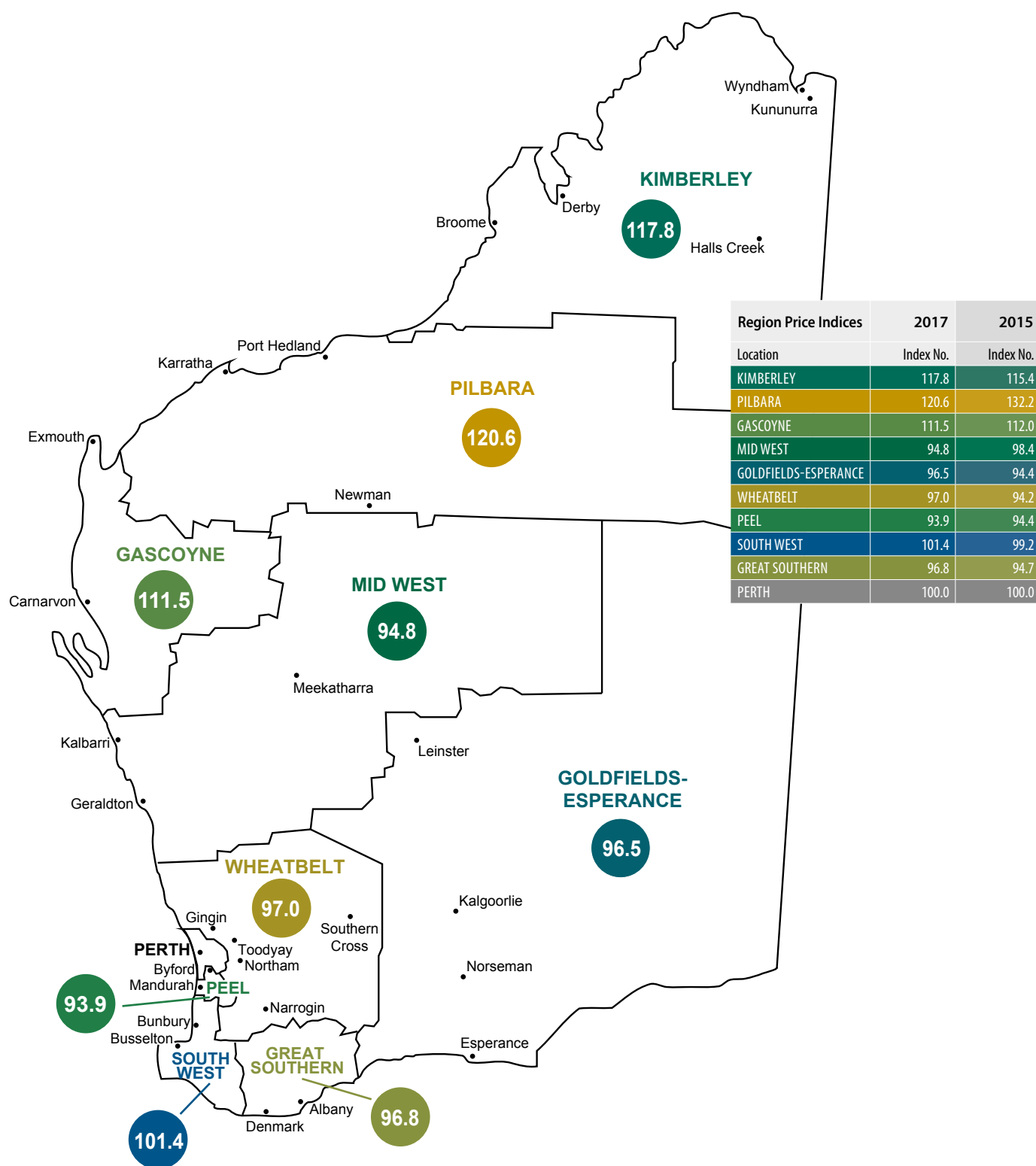
## Map 3: Cigarettes, Tobacco and Alcoholic Drinks Commodity Group



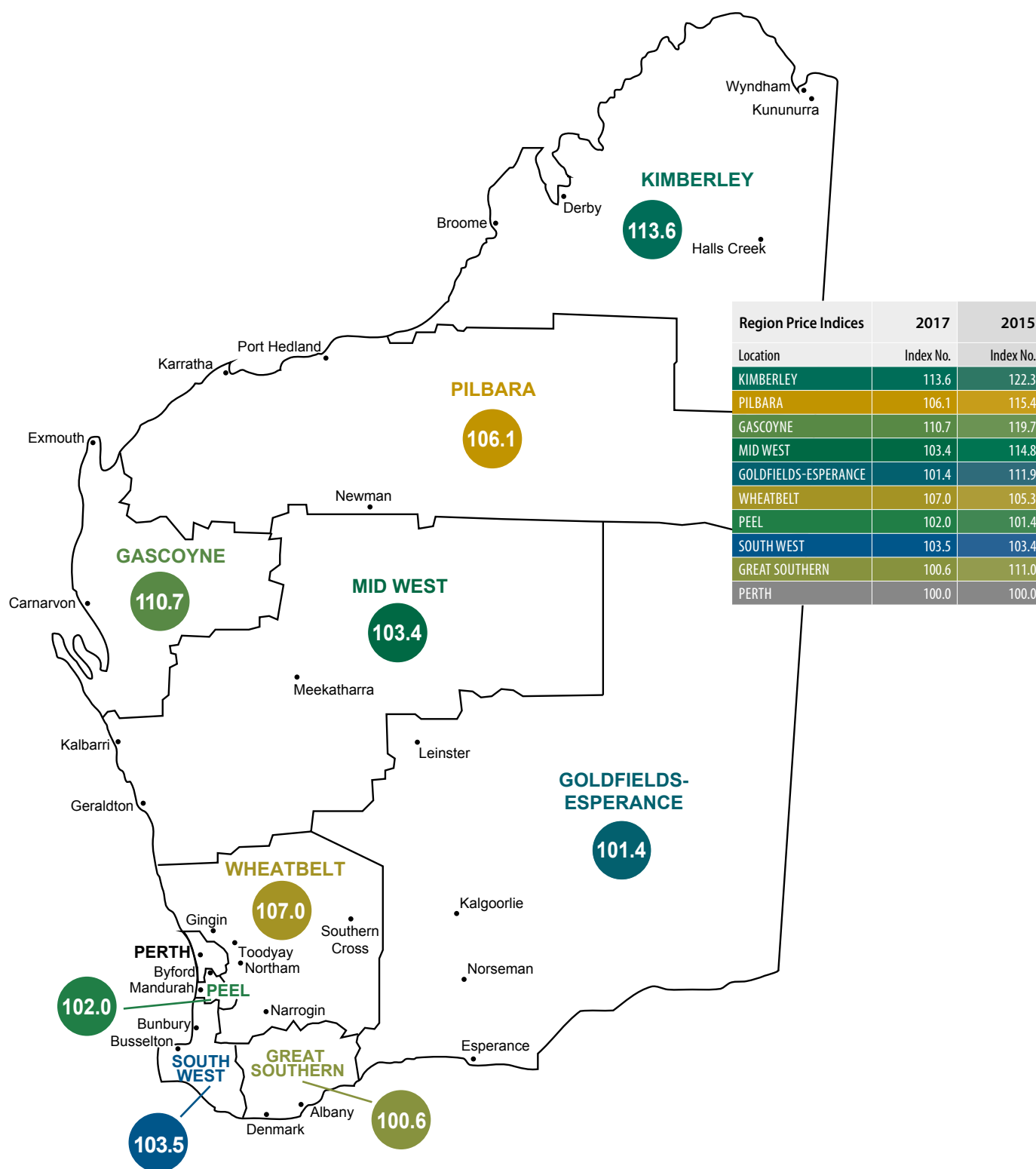
## Map 4: Clothing Commodity Group



## Map 5: Housing Commodity Group

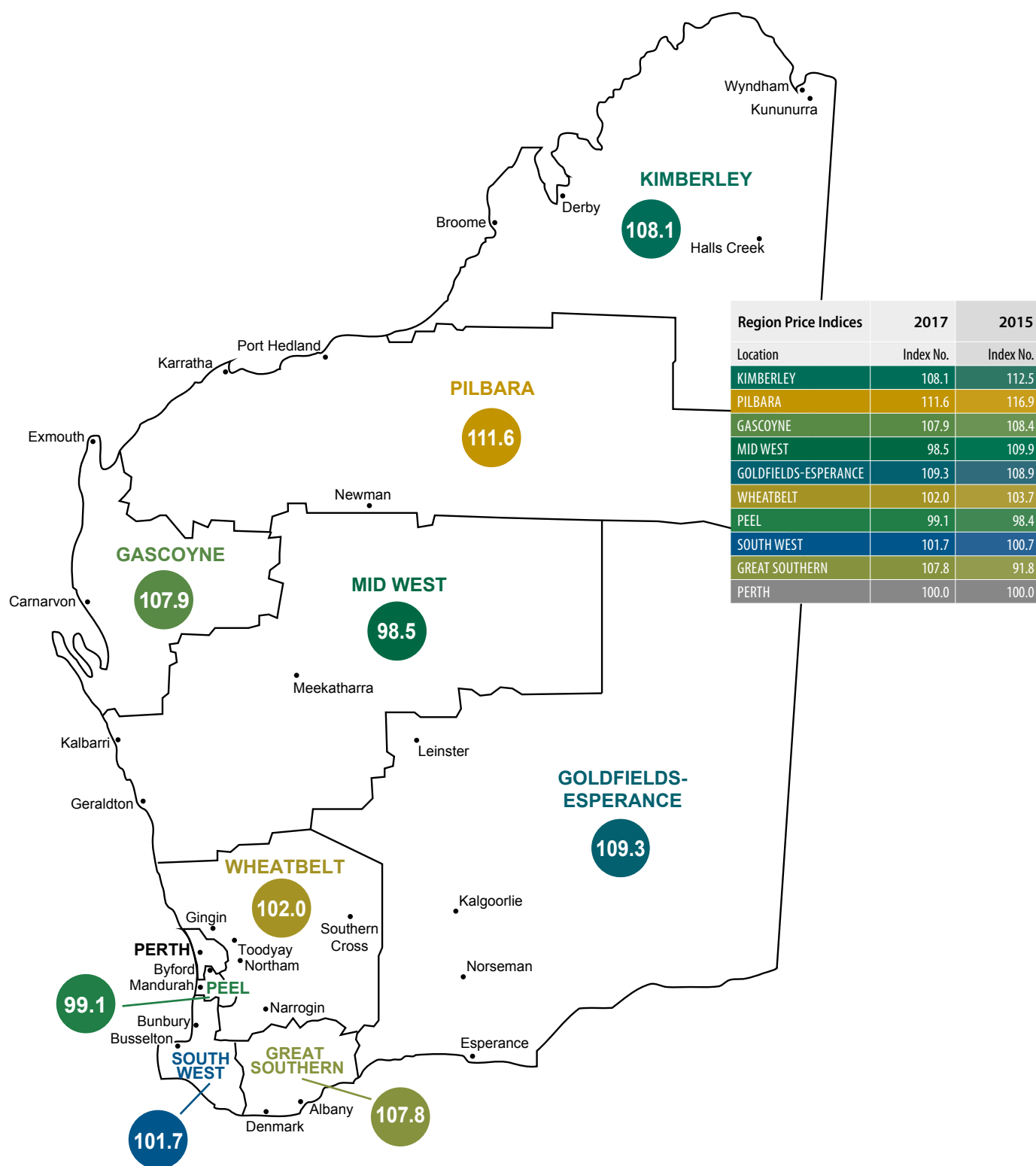


## Map 6: Household Equipment and Operation Commodity Group

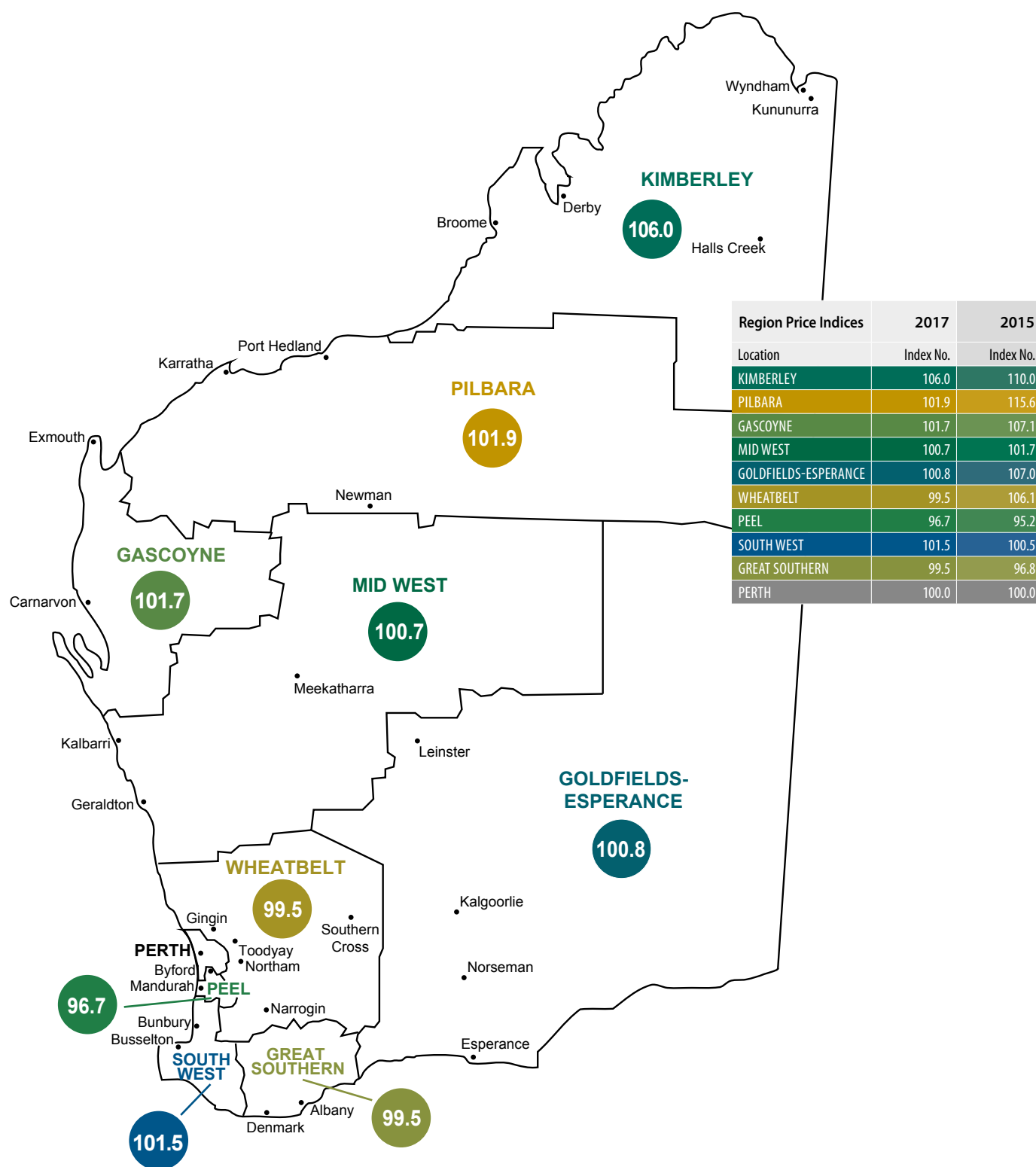




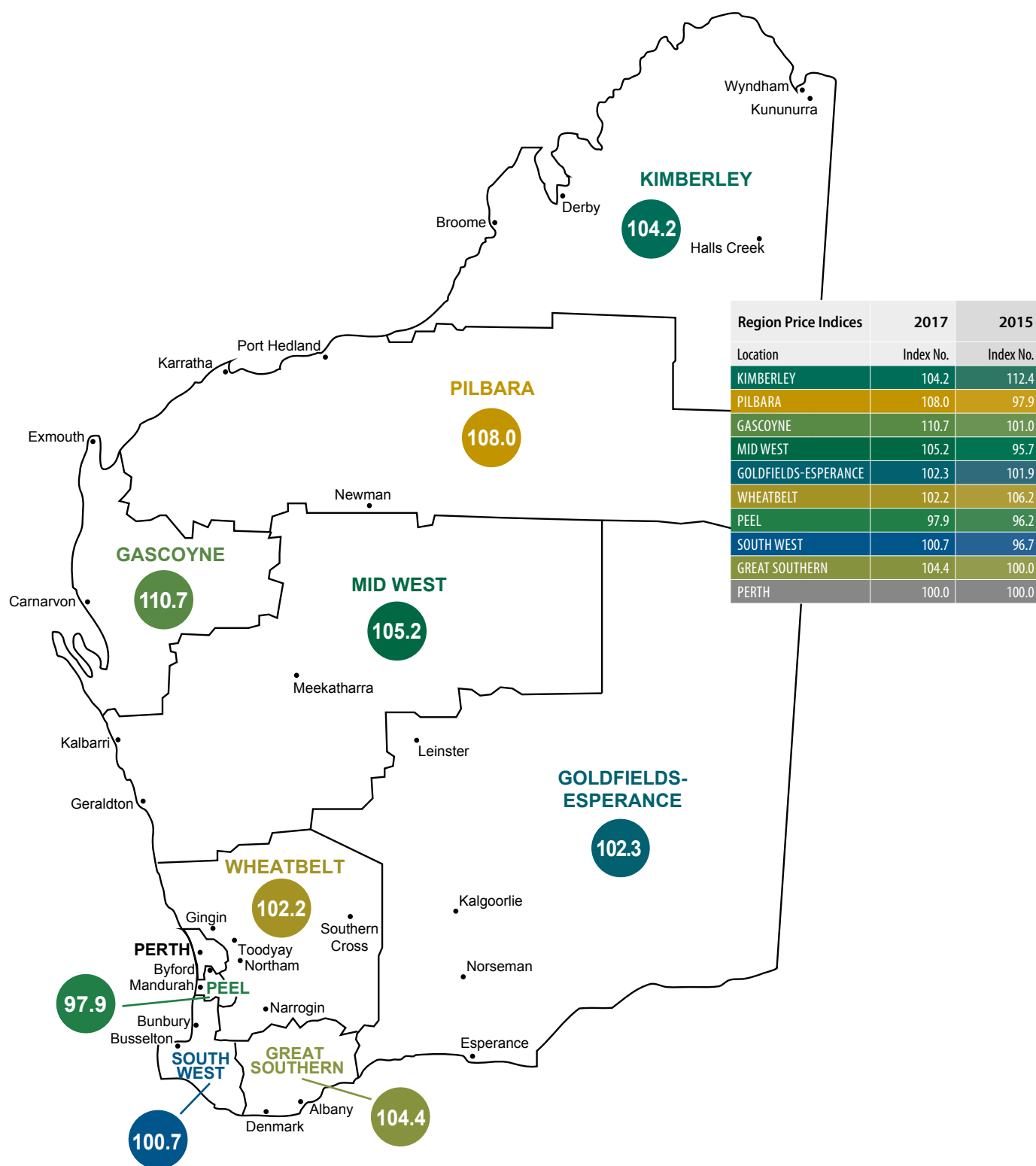
## Map 7: Health and Personal Care Commodity Group



## Map 8: Transportation Commodity Group



## Map 9: Recreation Commodity Group<sup>2</sup>



<sup>2</sup> It is important to note that in contrast to previous years' RPIs, this category omits pricing for the costs of education and childcare, and so this group is not able to be directly compared to previous years' results.



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