



## Comparative analysis of cost of living

WA Department of Treasury

July 2022

# Executive summary

## Purpose of this report

Deloitte Access Economics was engaged by the Western Australian Department of Treasury to undertake a comparative analysis of cost of living between Perth and other major state capital cities in Australia, namely Sydney, Melbourne, and Brisbane; and between the major regional cities of Bunbury, Newcastle, Geelong, and Sunshine Coast.

These regional cities were chosen because they are sufficiently distant from their respective state capitals so that the analysis captures real differences in the underlying drivers of household costs. In addition, they also represent large population centres outside of Sydney, Melbourne, Brisbane, and Perth.

The purpose of the work is to measure current living costs likely to be faced by new migrants to WA relative to other states, as a tool to inform the WA Government's strategy to attract and retain skilled workers in the State.

## Approach

Deloitte Access Economics estimated the expenditure profile in 2021-22 for the average household in each of the capital cities examined, using a combination of historical ABS Household Expenditure Survey (HES) data and other data. As the HES is limited to capital city residents, the regional city analysis focused on data for a subset of expenditure items, collected separately, that account for a significant share of the typical household spend. This includes housing costs (typically around 26 per cent of total household costs, based on the HES), spending on food and beverages (15 per cent), electricity (2 to 3 per cent), and transport (14 per cent).

## Key findings

### Cost of living in capital cities

The analysis found that **Perth had the lowest average household spend on goods and services, including housing costs, of capital cities examined in 2021-22**. At \$1,630 per week, Perth's estimated average household spend was 10 per cent lower than Melbourne (\$1,805 per week), 19 per cent lower than Brisbane (\$2,002 per week), and 24 per cent lower than Sydney (\$2,143 per week).

**Direct housing costs**, which include rent or mortgage repayments for the principal place of residence, local government rates, water rates, home insurance, strata fees, and other

housing costs – **were lower in Perth than in all other capital cities examined**. Housing costs were the largest contributor to the gap in total living costs between Perth and the other capitals. The average Perth household is estimated to have spent around \$480 per week on direct housing costs in 2021-22, which was 9 per cent lower than Melbourne (\$527 per week), 35 per cent lower than Sydney (\$735 per week), and 38 per cent lower than Brisbane (\$778 per week).

This measure of housing costs considers all households in each capital city – including those with substantially lower housing costs because, for example, they are owner occupiers with no mortgage or because they receive rental assistance or other concessions that significantly reduce their net expenditure on housing.

As such, the analysis also considered an alternative view of housing costs, namely mortgage payments and rental costs on median dwellings from the perspective of new residents moving to each capital city (see Table 1 on the next page). This analysis showed that **mortgage repayments for median homes and units are also lower in Perth than the other capitals**. Median rents were also found to be lower in Perth than other cities, except for Melbourne, where median rents were marginally lower than in Perth. **As a share of median income, mortgage repayments on the median house in Perth (24.6 per cent) and median unit (17.3 per cent), were lower than all other capitals**.

The analysis also showed that Perth is the **most affordable city for most other components of the typical household spend**. This includes spending on non-discretionary items like food and non-alcoholic beverages, which was between 5 and 18 per cent lower in Perth than the other capitals examined.

While Perth's cost of living is considerably lower on average, its median household weekly income (\$2,027) was second only to Sydney (\$2,146) but higher than Melbourne (\$1,958) and Brisbane (\$1,962).

### Cost of living in regional cities

Analysis of housing costs for the four regional cities found that **Bunbury was the most affordable in terms of median prices and median rents for both houses and units**.

Relative to the median household income in each of the four regional cities, **Bunbury was the most affordable in terms of mortgage repayments on the median house as a share of household income** (22.5 per cent). The highest share of median household income being committed to a mortgage repayment on a newly purchased median house was evident on the Sunshine Coast, at 57.5 per cent. Mortgage repayments on a newly purchased median unit as a share of household income was also lowest in Bunbury at 19.6 per cent (see Table 2 overpage).

**In terms of median house rents**, as a share of household income, Geelong was close to parity with Bunbury (around 27 per cent) but **Bunbury was still significantly more affordable than Newcastle (32.4 per cent) and Sunshine Coast (40.2 per cent)**. Median unit rents as a share of household income were lowest in Geelong (24 per cent), but only marginally so relative to Bunbury (24.4 per cent).

The analysis found that household **spending on a common basket of food and beverage goods was marginally lower in Bunbury than other regional cities**, reflecting lower fresh produce prices.

The average household electricity bill was estimated to be relatively close for Bunbury and Geelong, with higher average costs for Newcastle and Sunshine Coast. However, in 2022-23 WA and other interstate households are set to benefit from State Government electricity credits and concessions to assist with rising living costs. In WA for example, a \$400 household electricity credit will be applied in 2022-23. Taking these credits into account, **the average Bunbury household is likely to pay around 9 per cent less than the average household in Geelong, 27 per cent less than the average Newcastle household, and around 28 per cent less than the average Sunshine Coast household**.

While fuel costs were found to be similar across the four regional cities, a range of other government fees and charges relating to transport – including **vehicle registration, driver's license fees, and compulsory motor injury insurance** – also **lower for the typical WA household** than in NSW, Victoria, or Queensland.

# Go West?

Despite high inflation, cost of living pressures are lowest in Western Australia...

## Whether you're a city slicker...



### Live more, spend less...

According to Deloitte Access Economics, the average Perth household spent around \$1,630 per week on the consumption of goods and services and housing costs in 2021-22 – 10 per cent lower than the average household in Melbourne, 19 per cent lower than in Brisbane and 24 per cent lower than in Sydney.

### ... with lower cost housing...

Direct housing costs were the largest individual contributor to the lower cost of living in Perth relative to other major capital cities. The average Perth household is estimated to have spent \$480 per week on housing costs in 2021-22, 38 per cent lower than the most expensive capital, Brisbane.



### ... and cheaper living costs

Outside housing, Perth is also estimated to be the most affordable capital city in terms of most other components of the typical household weekly spend. The average Perth household is estimated to have spent \$1,150 per week on all other non-housing living costs in 2021-22 – 18 per cent less than the most costly capital, Sydney.



## ... or a regional resident



### Fulfilling the Aussie dream

Mortgage repayments on the median house in Bunbury, as a share of median income is 22.5 per cent – compared to 48.0 per cent in Newcastle, 47.0 per cent in Geelong and 57.5 per cent on the Sunshine Coast.

### ...Saving on power bills...

The average household electricity bill in Bunbury was estimated to be relatively similar to Geelong, but substantially lower than Newcastle and Sunshine Coast. With WA households set to benefit from a \$400 electricity credit in 2022-23, the average Bunbury power bill will likely be 9 to 28 per cent lower than the other regional cities.



### ... and transport costs

The average WA household is estimated to have spent \$904 on a package of transport-related fees and charges - including vehicle registration, driver's license, and motor injury insurance - in 2021-22. This is around 13 per cent less than the average NSW household, 24 per cent less than in Queensland, and 35 per cent less than in Victoria.



Table 1: Illustrative housing costs as a share of median income for new residents of each capital city

	Perth	Sydney	Melbourne	Brisbane
Mortgage repayment on the median house as a share of median income	24.6%	55.0%	42.5%	38.8%
Mortgage repayment on the median unit as a share of median income	17.3%	32.6%	27.1%	21.8%

Table 2: Illustrative housing costs as a share of median income for new residents of each regional city

	Bunbury	Newcastle	Geelong	Sunshine Coast
Mortgage repayment on the median house as a share of median income	22.5%	48.0%	47.0%	57.5%
Mortgage repayment on the median unit as a share of median income	19.6%	37.7%	30.0%	31.6%

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