

OFFICE OF ECONOMIC AND STATISTICAL RESEARCH

BRIEFING NOTE

CPI EXCLUSIVE OF GST EFFECTS: JUNE QUARTER 2001

- The New Tax System (NTS) and the associated Goods and Services Tax (GST) was introduced on 1 July 2000, and has had a direct impact on the Consumer Price Index (CPI). The “headline” CPI published by the Australian Bureau of Statistics (ABS), measures final transaction prices, inclusive of indirect taxes such as the GST. The calculation of the CPI exclusive of the effects of NTS is necessary to estimate ‘ongoing’ inflation.
- The CPI outcome for the September quarter 2000 reflected first-round effects of NTS. The headline Brisbane CPI increased by 3.9% in September quarter 2000 over June quarter 2000. Consensus views suggest that the Goods and Services Tax (GST) contributed an estimated 2.75% to the headline result, implying ‘ongoing’ inflation of 1.1% for the quarter.
- Consensus views are that there was no measurable GST impact on the CPI for December quarter 2000, March quarter 2001, or June quarter 2001. Hence, the quarterly percentage increase in headline CPI does not include any GST effect. The yearly percentage increase in headline CPI for December quarter 2000, March quarter 2001, and June quarter 2001 does include the effect of the GST on the CPI, owing to the base effect resulting from the direct impact which occurred in September quarter 2000. Table 1 (below) shows the percentage change in headline CPI and GST-exclusive CPI in quarterly and yearly terms.
- It is possible that the NTS may detract from CPI growth in Australia over the remainder of calendar 2001, as a result of the introduction of further elements of Commonwealth tax reform such as full input tax credits on motor vehicles, and the removal of some State taxes, such as Financial Institutions Duty (FID). However, the precise effect of this on the CPI will prove difficult to isolate from other economic factors impacting on the series. In addition, the Brisbane CPI will not be affected by the removal of FID as it is not currently levied in Queensland.

TABLE 1: BRISBANE CPI: INCLUSIVE AND EXCLUSIVE OF GST EFFECTS

	Headline CPI	% change qtrly (a)	% change yearly (b)	CPI Excluding GST	% change qtrly (a)	% change yearly (b)
Mar-98	121.9	0.4	0.3	121.9	0.4	0.3
Jun-98	122.3	0.3	1.0	122.3	0.3	1.0
Sep-98	122.5	0.2	1.5	122.5	0.2	1.5
Dec-98	123.0	0.4	1.3	123.0	0.4	1.3
Mar-99	122.8	-0.2	0.7	122.8	-0.2	0.7
Jun-99	123.1	0.2	0.7	123.1	0.2	0.7
Sep-99	124.0	0.7	1.2	124.0	0.7	1.2
Dec-99	124.1	0.1	0.9	124.1	0.1	0.9
Mar-00	125.5	1.1	2.2	125.5	1.1	2.2
Jun-00	126.4	0.7	2.7	126.4	0.7	2.7
Sep-00	131.3	3.9	5.9	127.8	1.1	3.1
Dec-00	131.6	0.2	6.0	128.1	0.2	3.2
Mar-01	132.7	0.8	5.7	129.2	0.8	2.9
Jun-01	134.0	1.0	6.0	130.5	1.0	3.2

- (a) Quarterly percentage change compares the level of the CPI in one quarter to the subsequent quarter, e.g. the change from June quarter 2000 to September quarter 2000
- (b) Yearly percentage change compares the level of the CPI in one quarter to the corresponding quarter in the next year, e.g. the change from June quarter 2000 to June quarter 2001.