

# The CommSec 30/40/50 Project

## Purchasing power & affordability perspectives

- Many Australian consumers complain about the high cost of living. But more than likely you would hear the same complaint if you went back 30 years ago or even 50 years ago. Fortunately through the power of technology we can test – at least partially – whether times are indeed tougher now than in the past.
- Search firm, Google, has made available scanned copies of old newspapers, enabling researchers to gain insights into the cost of goods over time. Despite the fact that Google disbanded the project in May last year, it has created an impressive database. For Australia the most comprehensive resource is the Sydney Morning Herald with 38,755 copies digitised from 1830 to 1989.
- CommSec has utilised the Google newspaper archive and the Reserve Bank inflation calculator to get a perspective on the cost of living 30, 40 and 50 years ago. And it is clear that Australians in 2012 are better off than their parents and grandparents with a raft of items far more affordable today, whether you measure the cost in 2012 dollars or compare the prices of goods with the value of wages.

### What does it all mean?

- Aussie consumers may complain about the cost of living, but it is clear that the quality and affordability of many goods is far better now than 30, 40 or 50 years ago. For instance, 50 years ago, in February 1962, a “standard” Holden cost £1,107 or \$2,214. At that time the average weekly male wage (non-managerial) was \$49.40. So it would have taken a worker almost 45 weeks of wages to buy the vehicle. Today it would take the average worker around 28 weeks of wages to buy a new Holden Commodore Omega auto. And clearly the quality and range of accessories in today’s vehicles is far superior to that of 50 years ago.
- Certainly it’s not just cars, but kitchen appliances, alcohol, travel and bedroom furniture are amongst the items that are far more affordable in 2012 than in the past. For instance, in 1982 a “Celestial” 2 litre kettle was advertised for \$29.99 – the equivalent of \$92.75 in 2012 dollars. Currently a “Homemaker” 1.7 litre kettle can be purchased for \$25 at Kmart.
- While many items have become more affordable over time, the same can’t be said for housing. In 1962, land in Penrith in the western suburbs of Sydney (“Sydney’s newest suburb”) could be purchased for £595. In today’s

### Purchasing Power & Affordability

<i>Item &amp; price</i>	<i>2012 dollars</i>	<i>Equivalent good today</i>
<b>50 years ago</b>		
Pope 10 cubic feet fridge, £204/15	\$5,289	Westinghouse 280l fridge \$599
Standard Holden car, £1107	\$28,020 (45 weeks of wages)	\$39,990 (28 weeks of wages)
Hoovermatic washing machine, 123 guineas	\$3,269	ranges from \$548-1078
<b>40 years ago</b>		
24 inch Thorn TV (black & white), \$229	\$2,069	32 inch Samsung, \$348
Sunbeam Toastermatic, \$29.95	\$270.61	Kambrook toaster, \$29
David Jones suit, \$54	\$487.91	Myer, Van Heusen, \$399
<b>30 years ago</b>		
Case of Tooth KB cans, \$11.99	\$37.08	Case Carlton Cold, \$34
2 litre Celestial kettle, \$29.99	\$92.75	Homemaker 1.7l kettle \$25
5 acres house/land Dural, \$298,000	\$921,630	Sale price May 2011, \$2,075,000

Source: Sun-Herald (via google newspaper archive), CommSec

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dollars that would equate to just over \$15,000. But in 2012 the cheapest land that could be found near Penrith would cost just over \$200,000. Of course, land in 1962 can't be readily translated to 2012 as amenities and transport times have changed. But if purchasing power was kept constant with 1962, a home buyer today would need to find a block of land around \$32,000 – only obtainable in country areas like Henty, Braidwood or Kempsey.

- The bottom line is that people generally have a poor appraisal of either the cost of living or standard of living. It is difficult for the average consumer to assess not just the relative cost of items, but more importantly affordability (that is, relating prices to wages) as well as the relative standard or quality of goods over time. Fortunately technology now allows these comparisons to be made quickly and accurately.
- The Government, Reserve Bank, retailers and other businesses are amongst those that benefit from providing perspectives of affordability or purchasing power over time. Economists are generally good in tracking price changes over time but are poor at keeping actual prices to permit comparisons of affordability. In fact the Bureau of Statistics recently stopped publishing data showing the average prices of grocery items,

### Thirty years ago (Sun Herald February 14 1982)

- The headline news of the day was speculation of a health fund takeover – “The NSW Government is poised to take control of the State's second biggest health fund – HCF – in a move to provide cheaper health care.”
- In sport, New Zealand beat Australia in a one-day international despite a century by Greg Chappell. At the cinema, *For Your Eyes Only* and *On Golden Pond* were playing. The top selling album was “Business as usual” by Men At Work. And Young Talent Time was on television at the time – strangely enough as it is today.
- The goods that dominated advertisements in the newspapers were cars, bedroom furniture, household appliances, liquor, and women's shoes. All the major department stores at the time heavily advertised – Grace Bros, Waltons, David Jones and Myer.



**Waltons**

Buy these Philips colour sets and get push button convenience, the extra clarity of Natural Colour, furniture style luxury, Waltons low prices, plus..

## A BIG BONUS

53cm colour TV set with UHF/VHF, bonus mobile stand!

**\$699**  
\$5.40 weekly

**PHILIPS**

**BONUS HOME CASINO SET!**

48cm, UHF/VHF, STAND! **\$579**  
\$4.50 weekly

63cm WITH UHF/VHF! **\$799**  
\$6.20 weekly

Colour TV sets are after 10% deposit and 4 years. Delivery to city. Not available at all stores. Not available without Waltons Home Bonus.



**DURAL**

**5 ACRES \$298,000**

OPEN FOR INSPECTION 2 to 5 SUNDAY  
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This magnificent Full Brick Colonial 45 sq. home situated in quiet cul-de-sac, surrounded by huge homes. 4 bedrooms B/I, 2 magnificent full-size bathrooms, gourmet kitchen with breakfast area, sunken family room, sep. dining, lounge, double garage. You must inspect this Master-built home.

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- At the time, the average weekly wage for full-time employees was \$276.90 (male wage \$347.20). Inflation was running at an 11 per cent annual pace; the Aussie dollar was around US107 cents; and the cash rate was 15.2 per cent.
- In terms of liquor, Teachers Scotch Whisky was advertised at \$11.99 and a case of Tooth KB or Reschs DA cans of beer cost \$11.99. Using the average male wage for comparison in 1982 you could buy 29 bottles of whisky and 29 cases of beer. Today you can purchase 35 bottles of whisky and 41 cases of Carlton Cold on the current male wage.
- A bottle of Richmond Grove chardonnay was advertised at the time at \$4.29. In 2012 dollars that would equate to \$13.27. Currently at Dan Murphy's, Richmond Grove French Cask chardonnay is priced at \$11.99 a bottle.
- In terms of household goods, a 2 litre Celestial Kettle was advertised at Waltons for \$29.99. In today's dollars that would equate to \$92.75. Interestingly at the current time Kmart is advertising a 1.7 litre kettle for \$25.
- A Thorn 53cm TV was advertised at that time for \$699; today that would equate to \$2,161.81. A Sony Betamax VCR similarly cost \$799 back in 1982.
- A Westinghouse 370 litre fridge was advertised at Waltons for \$699 (today's dollars \$2,161.81). Today Harvey Norman is selling a 390 litre fridge for \$1,109.
- In terms of travel, a 10 days/8 nights trip to the Bali Kuta Beach Club was advertised at \$518-\$698. In today's dollars that would equate to \$1,602-\$2,158. By comparison a 7 night Bali holiday (Ramada resort) was recently advertised at \$1,099.
- Interestingly though, there was also an advertisement for Hotel Craigieburn Bowral offering 5 days accommodation with all meals for \$156. In 2012 dollars that would equate to \$482.46. The hotel is now known as Peppers Craigieburn Bowral and the cheapest 5 day package without meals now costs \$821.
- The higher cost of the holiday accommodation appears a function of generally higher property prices. In fact a home on 5 acres was advertised at Dural for \$298,000. In 2012 dollars that would equate to \$921,630.85. The same home sold last year for \$2.075 million.

#### Forty years ago (Sun Herald February 13 1972)

- At that time one of the major stories was the flood threat posed by Cyclone Daisy: "Much of the NSW North Coast was awash last night as Cyclone Daisy battered its way south." The other main story was headlined "500,000 to lose jobs over strike" – the report stating that 500,000 workers in Victoria and other states could be stood down if a power strike does not end.
- In sport, Shane Gould added two wins to her gold medal tally at the Australian Swimming championships. On the 2SM top 40, Imagine by John Lennon was at number 11. At the cinema, *Diamonds Are Forever* was showing. And World Championship Wrestling and Adam 12 were some of the programs on TV at the time.
- Clothing dominated advertisements at that time including furs and men's suits but furniture, mattresses and household appliances were also featured. All the major stores at the time heavily advertised – McDowells, Farmers, Norman Ross, Nock & Kirby's, Horderns, Waltons, David Jones and Mark Foy's.
- At the time the average weekly wage for all employees was \$73.80 (male wage \$96.20). Inflation was running at a 7.3 per cent annual pace; the Aussie dollar was around US119 cents; and the cash rate was 4.9 per cent.
- Grace Bros heavily promoted a "\$500,000 fur sale" at the time and Cornelius was also heavily promoting furs. Today a retailer wouldn't openly promote such a sale.



**Sale! Thorn 'Imp' 12" portable deluxe TV**

Compact, powerful unit with transistorised chassis, front control twin telescopic antennae, a special now priced at

**SALE \$159**

90c week

**Buy! Thorn 24" deluxe roll-a-round bargain**

With 24" theatre type screen, smart styling in high grade finish of teak or Danish walnut. Now

**SALE \$229**

\$1.20 week

**BROADWAY • BONDI • PARRAMATTA • CHATSWOOD • BROOKVALE • TOP RYDE • ROSELAN**

50 THE SUN-HERALD, FEB. 13, 1972 50

**Bebarfalds**  **GEORGE STREET TOWN HALL STATION**  
**LARGEST FURNITURE STORE IN AUSTRALIA** **PHONE 2 0650**

# Huge PRICE CUTS

**On all top name refrigerators:  
All brand new 1962 models** (OUR USUAL EASY TERMS AVAILABLE)

**EXAMPLE 1.**

**10 cu. ft. POPE AUTOMATIC**  
FROM **£108/19/-**  
(list price £208/19/-)

We offer £100 trade-in on sealed units up to 5 years old.  
We offer £88 trade-in on sealed units over 5 years old.  
We offer £58 trade-in on an open unit.  
We offer £48 trade-in on any household appliance.

**EXAMPLE 2.**

**10 cu. ft. CROSLY AUTOMATIC**  
FROM **£97/19/-**  
(list price £187/19/-)

We offer £90 trade-in on sealed units up to 5 years old.  
We offer £78 trade-in on sealed units over 5 years old.  
We offer £49 trade-in on an open unit.  
We offer £38 trade-in on any household appliance.

**EXAMPLE 3.**

**9 cu. ft. FRIGIDAIRE DE LUXE**  
FROM **£85**  
(list price £172/4/-)

We offer £87 trade-in on sealed units up to 5 years old.  
We offer £67 trade-in on sealed units over 5 years old.  
We offer £37 trade-in on an open unit.  
We offer £27 trade-in on any household appliance.

**EXAMPLE 4.**

**9 cu. ft. WESTINGHOUSE AUTOMATIC**  
FROM **£108/9/-**  
(list price £188/9/-)

We offer £90 trade-in on sealed units up to 5 years old.  
We offer £70 trade-in on sealed units over 5 years old.  
We offer £60 trade-in on an open unit.  
We offer £30 trade-in on any household appliance.

**THIS OFFER IS AVAILABLE AT ALL BEBARFALDS STORES LISTED BELOW:-**

MELBOURNE, SYDNEY, BRISBANE, PERTH, ADELAIDE, DARWIN, TOWNSVILLE, CAULFIELD, TRARALGO, JARRAGH, BAYVIEW, SUTHERLAND, ST. ALBANS, CARFARNAW, BUNN, MANTON, ST. ALBANS, NORTHWICH, WILSON, LINDHURST, SUTTON, NEWCASTLE, T. DON, WOLLONGONG, T. DON, FORT KEMBLA, ST. ALBANS, CANNARA, 44/10

24 THE SUN-HERALD, FEB. 11, 1962

- Grace Bros also had an advertisement featuring typewriters and the retailer also promoted “values in pullovers and cardigans from \$3”. In today’s dollars that would equate to \$27.11 so the bargains certainly appear reasonable from a 2012 perspective.
- David Jones advertised men’s suits for \$54 (‘young style’) and \$70 (‘top name men’s suits’). In today’s dollars the suits would equate to \$487.91 and \$632.48 respectively. Currently suits can be purchased in major department stores for around \$299-399.
- Grace Bros also promoted a 24 inch (61 cm) “theatre type” Thorn TV for \$229 (note black and white TVs existed at that time). In today’s dollars that TV would equate to \$2,069.12.
- The newspaper gave indicative prices for some vegetables such as lettuce, tomatoes and potatoes. A lettuce was priced at 10c, equating to 90c in 2012 money. Currently Woolworths is selling lettuces for \$1.98. But tomatoes were priced at 15-20c a pound. In today’s dollars that would equate to \$1.36-\$1.81 a pound but Woolworths is quoting \$1.95 a kg or 89c a pound. And potatoes were also judged to be cheaper in 1972 than today at 36-54c a pound versus 90c today.
- In 1972 an advertisement stated “Jet your way to the UK and Europe for \$645 return”. That would equate to \$5,827.86 in today’s dollars, showing that overseas travel at the time was very much a luxury.
- At that time a 3 pint (1.7 litre) kettle cost \$18.95 and a toaster cost \$15.95. In today’s dollars that would equate to \$171.22 and \$144.12. In comparison, recently Kmart advertised a 1.7 litre kettle for \$25 and a 2 slice toaster was advertised at \$29.

### Fifty years ago (Sun Herald February 11 1962)

- The headline story was “Aust. Ships threatened” with the report alleging that “Indonesian war planes are shadowing and menacing Australian oil tankers on the vital supply route from Sumatra to Botany Bay.”
- In sport, 10,500 people turned out to watch a NSW vs. South Australia Sheffield Shield cricket match featuring Bob Simpson, Brian Booth, Neil Harvey, Alan Davidson, Garfield Sobers & Richie Benaud. There was also a review of a new film, “Breakfast at Tiffany’s”.



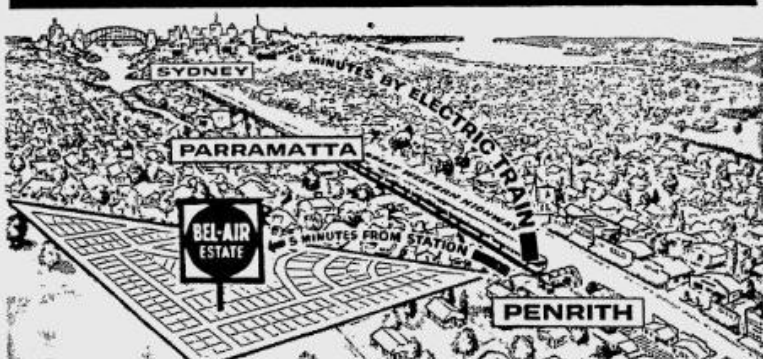
- The “non-managerial adult male” weekly wage was equivalent to \$49.40 a week (pounds, shillings and pence at the time); inflation was just 0.7 per cent; and the cash rate was just 3.43 per cent.
- Household goods such as mowers, furniture, fridges and washing machines featured in advertisements together with clothing and cars. David Jones, McDowells, Farmers, Grace Bros, Mark Foy’s, Bebarfalds and Waltons were the major retailers at the time.
- Bebarfalds offered a £100 trade-in on a 10 cubic feet Pope Automatic fridge, stating the list price of the fridge at £208/19-. Using the Reserve Bank inflation calculator that would equate to \$5,288.95 in today’s dollars.
- It is notable that the major retailers were promoting the value of trade ins at the time, noting that you could save almost half the purchase price of a new refrigerator by trading in an old fridge up to five years old.
- Mark Foy’s listed coats, frocks and slacks sets for a £6 (\$151.87 in today’s dollars) with suits, coats and frocks at £8 (\$202.50) and swimsuits, blouses and pullovers at 30 shillings (\$37.97). While some of these prices seem reasonable, it’s important to relate the prices to the average wage. A good coat or women’s suit would cost around a third of the weekly wage (male) or around \$467 in 2012 terms.
- Mark Foy’s also listed a men’s suit at 19 guineas (a guinea was 1 pound, 1 shilling), equating to around \$505 in 2012 dollars. Meanwhile Anthony Horderns listed “English tailored suits” at a £26/19/6, equating to around \$683 in 2012 dollars. In 2012, equivalent suits may cost \$299-\$399.
- A Hoovermatic washing machine was listed at 123 guineas or \$3,269.05 in 2012 dollars. Today a washing machine could be purchased for as low as \$548, and as much as \$1,048 for a featured-packed model.
- In terms of cars, a standard Holden was listed at £1,107 (today’s dollars, \$28,020.45), a standard Ford Falcon was £1,137 (\$28,779.81) and a Triumph Herald 1200 (with a “new big engine”) was listed at £812 (\$20,553.39)
- Notably there was also an advertisement for land in Penrith – “Sydney’s newest suburb”. The land was advertised for £595 with £10 “full deposit on every block”. In 2012 dollars the land would be the equivalent of \$15,060.67.
- In the same advertisement the price of land in Caringbah was stated at £1900 (2012 dollars, \$48,092.91) and Collaroy land was stated as £1950 (2012 dollars, \$49,358.51). Today, it would be rare to find land in either suburb. But in Cronulla (near to Caringbah) land can be purchased for around \$800,000.
- Whichever way you cut it, home buyers in 1962 had a significant advantage over home buyers in 2012.

## Implications

- While consumers may complain about living costs, in many ways today’s shoppers have a significant advantage over their parents or grandparents. Clothing, cars, household appliances, liquor and overseas travel are more affordable today than 30, 40 or even 50 years ago. So the slow rate of retail spending appears more a factor of consumer reluctance to spend rather inability to spend.
- However one factor potentially constraining household spending is the cost of property. From the examples we have gleaned over the past 50 years, land and houses are generally less affordable today. However it is always difficult to factor in improvements in infrastructure, the standard of homes and increases in the number and range of amenities. Clearly a home or home site in Penrith in 2012 is a far cry from that back in 1962.
- Still, cars are more affordable in 2012 than in the past despite the fact that features, standard of vehicles and accessory levels today are far superior. Cheaper production costs and efficiencies can partly explain the greater bang for your buck being achieved by car buyers while lower tariff levels have also served to reduce car prices over time.

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