

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2014 - 2015

Department/Agency: ABS

Question: SBT 4271

Topic: Household Tobacco Expenditure

Reference: Hansard page no. 27-28 - 22 October 2014

Senator: Leyonhjelm, David

Question:

Senator LEYONHJELM: Okay. There is a very close congruence between March vintage data and June vintage data. Professor Sinclair Davidson has plotted these as almost identical and he says that in fact the March 2014 estimate was not revised at all. He goes on to say that it turns out that, of the 18 seasonally adjusted time series for household expenditure, tobacco was the only item that was not revised. Of the data, seven items revised up and 10 items revised down. Only tobacco consumption remained unchanged.

Mr Davies: I was not aware of that detail. However, I can describe how we estimate the volume of tobacco—

Senator LEYONHJELM: Tobacco expenditure, yes?

Mr Davies: Perhaps we can base some comments on that. What we use is aggregate sales data that we get from suppliers. As we do with many national accounts estimates and components of household final consumption expenditure, we come up with a nominal value for effectively purchases of tobacco. We get that nominal number. In our prices program, where we calculate the consumer price index, we collect very detailed information on the price of tobacco and the price of tobacco there is per stick, per cigarette. There are some adjustments done to take into account changing sizes and changing pack size and contents.

The volume estimate effectively deflates that current price estimate, the nominal estimate of purchases, to produce a volume estimate. It is a chain volume; so it is not a simple deflation. That is the way we do it. Then we apply seasonal adjustment to that. There was no special treatment for tobacco which would exclude it from any revisions. It is simply part of our normal production processes.

Senator LEYONHJELM: The point was made by Professor Davidson that tobacco expenditure figures have not been revised. That was his main point. He said that, of the seasonally adjusted time series for household expenditure, tobacco was the only item that was not revised.

Mr Davies: To clarify the mechanics of that again, there would be two reasons the numbers change in seasonally adjusted terms. And we are focusing on the seasonally adjusted estimates. One is that there is new information available. New information has become available. We change either the nominal purchase or the price index, and the actual original value changes. The other is that the seasonal adjustment process and the way we perform our seasonal adjustment does frequently result in changes to recent estimates in seasonally adjusted terms.

I can take that on notice and we can look at the mechanics of why that came about in this particular instance. But there was no special treatment afforded to tobacco differently from any other component of household consumption, other than, perhaps, given it had been in the press we kept a closer eye on it.

Senator LEYONHJELM: He notes that the last time the tobacco data series was not revised,

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apart from the most recent one in 2014, was in March 2010. That is quite a long time ago.

The conclusion—it is not a conclusion—

Mr Davies: Implication, yes.

Senator LEYONHJELM: The implication is that this is a politically sensitive number and it is not being treated with the same level of care and accuracy as—

Mr Davies: I can guarantee that it was treated with a lot of care and accuracy. We were aware it was politically sensitive. We always look at the economic statistics in that context and say, 'Let's double-check this particular one.' The double-checking was in terms of: do we have it right? Are we making full use of the information we have available, et cetera? We have in fact checked against more detailed sources in terms of some transactional information we have about sales by retailers.

Senator LEYONHJELM: Tobacco expenditure would not be on your list of essential statistics, presumably?

Mr Davies: The tobacco number we are talking about is one component of household final consumption expenditure, which is one component of total final expenditure in the economy. So at times when it is not the focus of attention, it is just one on a list of many expenditures which include mobile phones et cetera. It is just one component and we have processes in place to make sure we get a robust estimate, particularly in volume terms, every quarter. That is the context of it.

It happens frequently with components of the national accounts, which is a huge system which has to tally, line up and reconcile internally, that the spotlight suddenly comes on to what is normally one relatively obscure corner of that, and that is what has happened here. But because of that we did pay particular attention to make sure that we got the numbers right.

Senator LEYONHJELM: So it is not a matter of discontinuing looking at that because it is not an essential statistic?

Mr Davies: What do you say, Peter, about the status of a particular component as an essential statistic?

Mr Harper: As you suggest, we have had an exercise in recent times to define the essential statistics for Australia. Tobacco statistics in and of themselves are not on that list. But tobacco is reflected in a number of the essential statistics. It is a component of the national accounts. It is an important component of the CPI. It is part of our household expenditure survey. Tobacco-related information is an important component of our health survey. So tobacco is reflected in a range of statistics that are on that essential statistics assets for Australia listing.

Senator LEYONHJELM: I am signalling to you that some people find it curious that the figures have not been revised and it is a long time since—

Mr Davies: We will take that on notice. I am interested.

Mr Palmer: We would be quite happy to describe the treatment we gave it. The key message is that there was no special treatment, in that we did not decide consciously to do something different with those numbers. Indeed, given the sensitivity around tobacco numbers, if there was any special treatment, there is a bit of extra care in making sure what the numbers are.

Senator LEYONHJELM: I anticipated that. That is why I was curious as to why there were no revisions. I might leave it there.

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Answer:

4271. While it is unusual for there to be no revisions at the published level for tobacco household consumption expenditure from one quarter to the next, it does happen. Tobacco household consumption expenditure estimates were compiled in the usual manner for the June Quarter 2014. There were no changes to the sources or methods.

There were minor revisions to the source data and the seasonal factors for household final consumption expenditure on tobacco. As these revisions were offsetting and small, there were no revisions at the published level for the seasonally adjusted number in millions of dollars. However, there were revisions at the lower compilation level.