

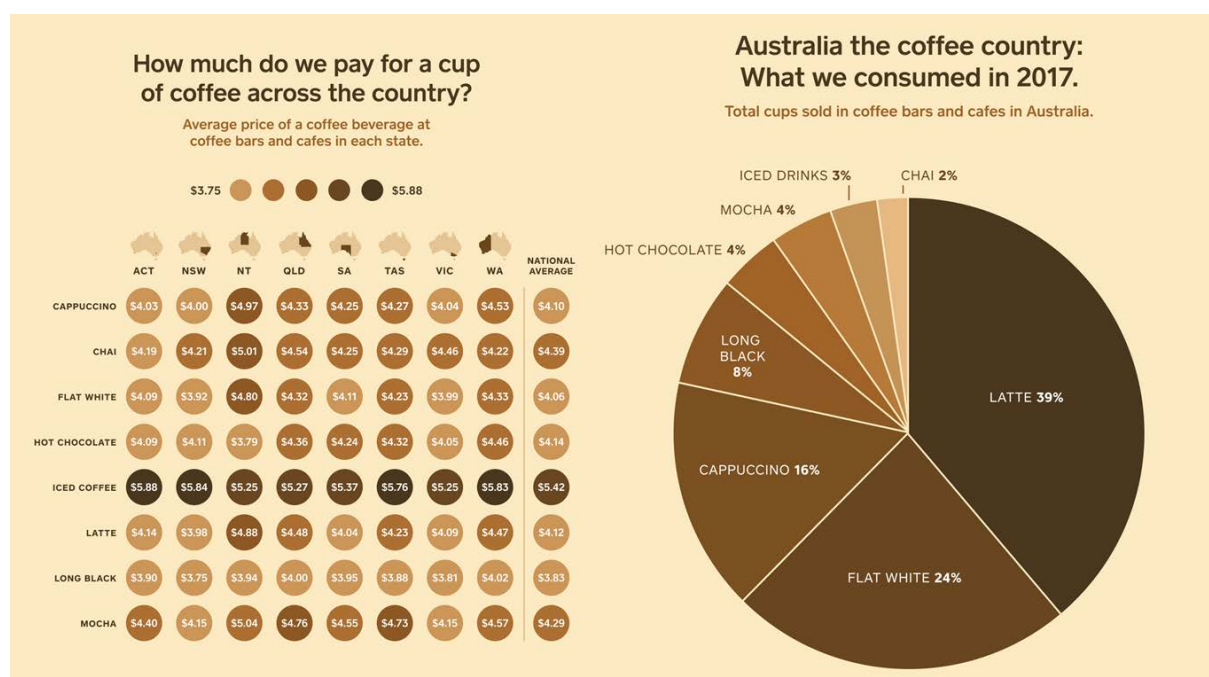
The Real Price of a Cup of Coffee

Commentary

Have you ever heard a politician, or a businessman, tell you that some price increase is 'no more than your daily cup of coffee?'

How much does a cup of coffee cost? In dollar terms, that depends on where you live and what kind of coffee you like. Conveniently on 17 November 2017 card processing company Square published a Coffee Report.¹

That report tells us how much different coffees cost in different states and territories and how many of us like each type of coffee: (see figure below)



The national average is neither the straight average nor a population weighted average for each coffee type so we can only infer that it is weighted by relative coffee popularity by State or Territory.

Combining both data sets gives us a simple 'representative coffee price' of \$4.13.

¹ <https://squareup.com/au/townsquare/2017-square-australian-coffee-report>

Table 1: Representative coffee price

COFFEE TYPE	REPORTED NATIONAL AVERAGE	PROPORTIONS
Cappucino	\$4.10	16%
Chai	\$4.39	2%
Flat White	\$4.06	24%
Hot Chocolate	\$4.14	4%
Iced Chocolate	\$5.42	3%
Latte	\$4.12	39%
Long Black	\$3.83	8%
Mocha	\$4.29	4%
Representative coffee price	\$4.13	

Table 1 source: *Square Coffee Report*

But what is the significance of this number? The table below lists the pre-tax weekly income of a representative sample of people in Australia.

Table 2: Weekly sample income per energy market position

SAMPLE INCOMES	WEEKLY
Chair, ACCC	\$14,629
Chair, AER	\$10,449
MP Base Salary	\$3,983
Prime Minister	\$10,355
Cabinet Minister	\$6,870
Senior Network Engineer	\$2,221
MD of Network Owner	\$38,396
Average Weekly Earnings	\$1,653
Single Newstart with Dependents	\$590
Single Aged Pension	\$908

Table 2 source: Remuneration Tribunal², ABS, Dept of Human Services³, Company Annual Report and payscale.com⁴

Using this weekly income data and our 'representative coffee price' we can derive the percentage of weekly income that a coffee a day would represent for each of these individuals. This is provided below and ranges from a low of 0.08% for the MD of Network Owner through 0.42% for a cabinet Minister to a whopping 4.9% for a single with dependents on Newstart.

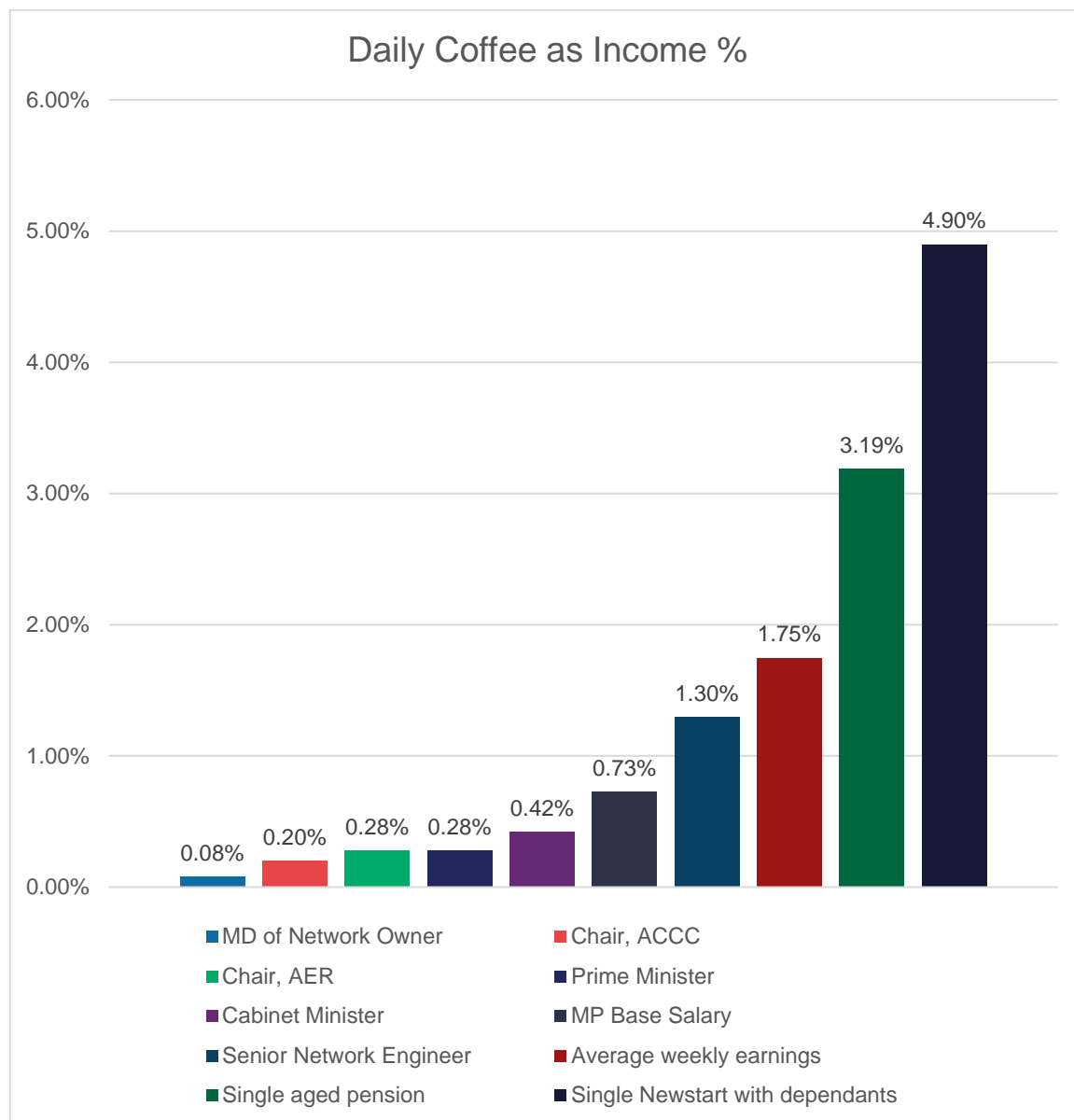
² <https://www.remtribunal.gov.au/>

³ <https://www.humanservices.gov.au/individuals/services/centrelink/age-pension/eligibility/payment-rates>

⁴ <https://www.payscale.com>

A coffee a day is a lot of some people's income

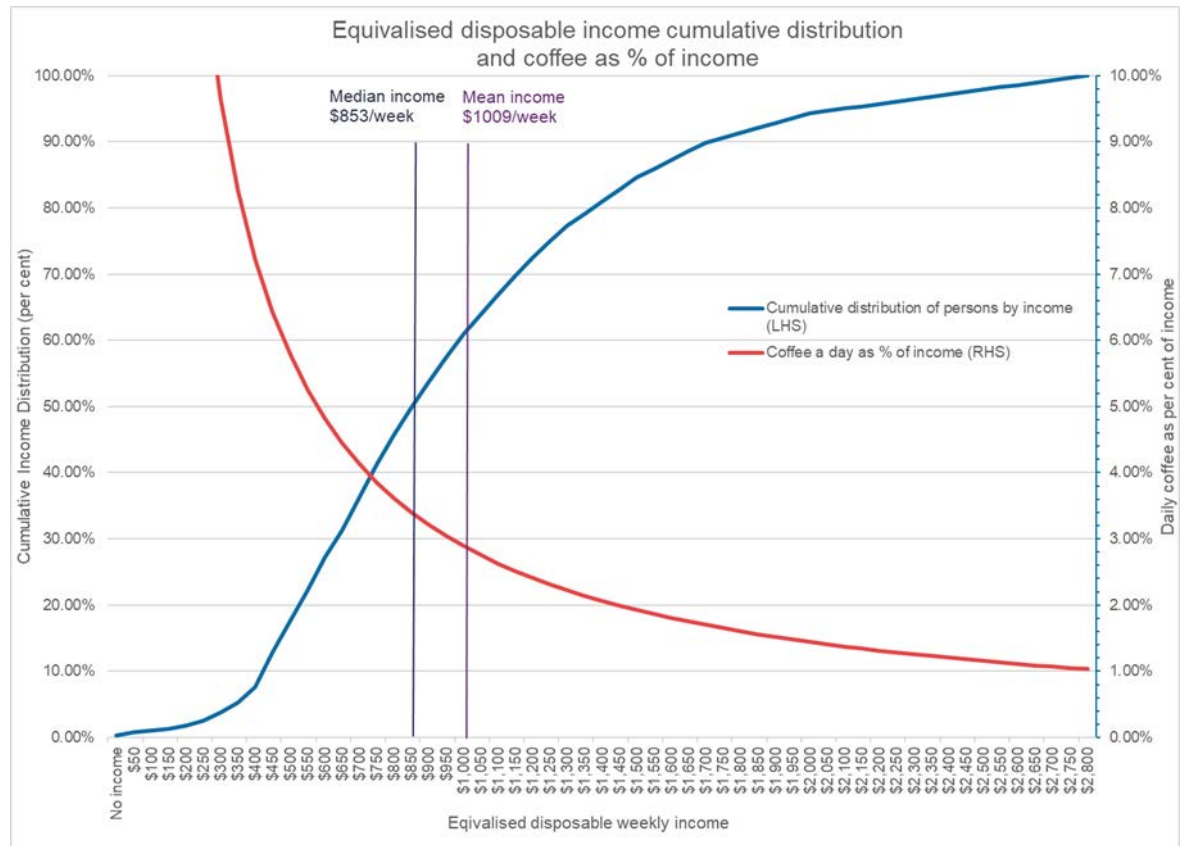
Graph 1: Daily Coffee as Income %



Graph 1 sources: Tables 1 and 2

This approach only uses the reported gross payments for these jobs, while our coffee (and energy bills) are paid for from disposable (post-tax) income. The chart below shows the cumulative distribution of weekly disposable income and what a cup of coffee a day is for each income.

Graph 2: Equivalised disposable income cumulative distribution and coffee as % income



Source: ABS 6523.0 2015-16⁵

Summary

For people on the median income, a cup of coffee a day is more than 3% of their disposable income. For more than 80% of the population a cup of coffee a day is more than 2% of disposable income.

When someone is relating a price rise to your 'daily coffee' they are telling you more about their income than they are about the price impact on households.

⁵ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>