

## CommSec iPod index: Australia slips eight places Global comparisons & currency changes

- The latest update of the CommSec iPod index now covers 68 countries across the globe. Australia has slipped eight places since June and is now the 13th cheapest place to buy an Apple iPod 8gb nano music player when measured in US dollar terms.
- Despite strong appreciation of the Aussie dollar, the local price hasn't changed, meaning iPods have become more expensive in US dollar terms. Australians could save as much as \$20 by buying their iPods on websites in the US or Hong Kong or on holidays in those countries.

### Australia slips down the leader-board

- While Australia is still one of the cheapest places in the world to buy an Apple iPod nano music player, a few more countries have leap-frogged us over the past four months.
- It all has to do with currency movements. The Aussie dollar has strengthened against most currencies, but the local price of an Apple iPod nano hasn't shifted.
- So in US dollar terms Australia has fallen eight places on the CommSec iPod index. Australia is now the 13<sup>th</sup> cheapest place of 68 countries monitored to buy an iPod nano 8gb music player when measured in US dollar terms.
- Back in November 2008 Australia rocketed to top spot in the CommSec iPod index. That is, it was the cheapest place to buy an 8gb iPod nano. But that prominent position simply reflected the sharp slump in the Aussie dollar against the greenback, reducing the US dollar price of the iPod.
- At the time it appeared that the Aussie dollar had fallen too far and that has since proven to be the case. Australia slipped to third place in January 2009, to 5<sup>th</sup> place in June 2009 and now to 13<sup>th</sup> in the October survey.
- The question now is whether local prices for iPods should fall to reflect the stronger currency. It is now cheaper for Australians to buy iPods overseas in the US, Canada, Singapore, Hong Kong and Japan.

### Importers & retailers face similar questions

- It is not just Apple that has to review its pricing in Australia – it is a question that all importers and retailers must ponder. If the Australian dollar continues to soar and local pricing isn't adjusted, then savvy Australian consumers will weigh up the value of purchasing goods on the internet or on their holidays overseas.
- In Australian dollar terms the cost of an Apple iPod 8gb nano hasn't changed over the past year. But in US dollar terms the price has lifted from US\$132 to US\$182 – an increase of 38

### CommSec iPod nano index 8 gigabytes, October 2009

	\$US		\$US
Argentina	\$336.43	Malta	\$207.15
Brazil	\$333.56	Spain	\$207.15
Iceland	\$320.95	Portugal	\$207.15
South Africa	\$283.65	Italy	\$207.15
Hungary	\$278.42	Belgium	\$207.15
Vietnam	\$275.56	Ireland	\$207.15
Egypt	\$269.43	Germany	\$207.15
Uruguay	\$265.00	El salvador	\$199.00
Serbia	\$254.99	Guatemala	\$198.11
Czech	\$253.29	Costa Rica	\$197.45
Ukraine	\$248.00	Luxembourg	\$196.89
Croatia	\$246.73	Switzerland	\$195.37
Romania	\$236.65	Taiwan	\$194.14
Bulgaria	\$234.34	Greece	\$194.11
Lithuania	\$233.33	Korea	\$194.05
Chile	\$231.68	NZ	\$191.80
Finland	\$231.00	India	\$191.75
Slovenia	\$231.00	Peru	\$188.47
Estonia	\$230.63	Philippines	\$188.06
Latvia	\$229.84	UK	\$188.03
Norway	\$222.45	Thailand	\$182.76
Austria	\$222.06	Australia	\$182.28
France	\$222.06	Pakistan	\$179.98
Slovakia	\$222.06	Mexico	\$178.90
Denmark	\$219.80	UAE	\$176.65
Russia	\$218.26	Turkey	\$175.84
Sweden	\$214.41	Malaysia	\$175.43
Indonesia	\$212.69	China	\$175.22
Azerbaijan	\$210.46	Saudi Arabia	\$170.22
Cyprus	\$208.63	Singapore	\$163.69
Israel	\$208.50	Canada	\$162.88
Sri Lanka	\$208.42	Japan	\$162.76
Poland	\$208.22	Hong Kong	\$150.68
Netherlands	\$207.15	US	\$149.00

Source: CommSec, Apple

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per cent. In other words Apple is basically obtaining higher revenues courtesy of a weaker US dollar.

- Australian consumers would be hoping that prices for imported goods fall more broadly in response to the firmer Australian dollar. But much will depend on the type of product – namely price margins, the competitiveness of the market as well the availability of local substitutes. In the current environment both retailers and manufacturers would be hoping to boost profitability but must be mindful of losing sales to competitors.

### More bang for your buck

- While the local price of the iPod hasn't changed over the past year, consumers are certainly getting more bang for the buck. The current 5<sup>th</sup> generation iPod is much more of a multimedia device with both music and video capabilities. The current 5<sup>th</sup> generation 8gb iPod nano costs the same as the 4<sup>th</sup> generation at \$199. Back in July 2008 the equivalent sized 3<sup>rd</sup> generation iPod model cost consumers \$249. The 4gb entry-level model at that time cost \$189. And when CommSec launched the iPod index in January 2007, the 2gb entry-level model cost \$219.
- Since the last update of the CommSec iPod index in June, Apple has cut prices of the 16gb iPod nano across the globe. In Australia the 16gb model has fallen by \$30 to \$249.

### Relativities

- Australian consumers could purchase an Apple iPod nano 8gb for the equivalent of around A\$178 in both Canada and Singapore, A\$177 in Japan, A\$164 in Hong Kong and around A\$163 in the United States. For travellers the savings are obvious, but for internet buyers the cost of freight (delivery) needs to be taken into account.
- Despite the stronger Australian dollar, some overseas tourists would still save money by buying their iPods in Australia. A German or French tourist can buy an Apple iPod in Australia for €122, far cheaper than back home where the local prices are €139 and €149 respectively. A Swiss tourist could buy an iPod in Australia for CHF184, below the local price of CHF199.

### Current standings in the CommSec iPod index

- In January 2009, the cheapest place in the world to buy an Apple 8gb iPod nano was South Korea (US\$136.73) followed by Canada (US\$140.03) and Australia (US\$142.39). And the dearest place to buy an 8gb iPod nano was Argentina (US\$346.78) followed by Egypt (US\$250.00) and Uruguay (US\$249.00).
- In June 2009 Hong Kong was the cheapest place to buy the 8gb Apple iPod nano at US\$148.35. Australia was in fifth spot at US\$161.57 behind New Zealand (US\$159.98). Argentina was still the dearest place to buy an 8gb Apple iPod nano (US\$343.92), followed by Iceland (US\$302.50) and Brazil (US\$288.03).
- Now the cheapest place to buy an Apple iPod nano 8gb is the US (US\$149), followed by Hong Kong (US\$150.68) and Japan (US\$162.76). Australia is 13th cheapest at US\$182.28. The dearest place to buy an iPod remains Argentina (US\$336.43), followed by Brazil (US\$333.56) and Iceland (US\$320.95).

### About the CommSec iPod index

- The CommSec iPod index was launched in January 2007 as a modern day variant of the long-running Big Mac index compiled by *The Economist* magazine.
- Both indexes work on the theory of 'same good, same price'. That is, the same good should trade at broadly the same price across the globe if exchange rates are adjusting properly.
- While fine in theory, it is more difficult in practice. Prices can be distorted by a range of factors such as taxes, transport costs, labour laws and trade barriers like tariffs. The key difference between the iPod and Big Mac approaches is that Big Macs are made locally in a host of countries across the globe whereas iPods are predominately made in China and Taiwan.
- In theory – and especially in the current day with the internet – if the same goods are trading at different prices across the globe, then this opens up the opportunity for trade. That is, an Australian music aficionado may decide to buy an iPod from the US rather than locally. (Note that the Apple US store doesn't sell iPods internationally, but other retailers certainly do).
- Clearly the buyer also needs to take into account shipping and handling costs. But if large price gaps do open up between countries, the opportunity for more people to "trade" will rise, especially given the ease of purchasing over the internet as well as the increasing propensity of people to travel.
- The CommSec iPod index is a way at looking at issues such as the impact of currency changes on consumer spending, globalisation and retailer margins.

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