

Labour Price Index September quarter 2009

ECONOMIC ALERT

18 November 2009

KEY POINTS

Labour Price Index

- The Labour Price Index (LPI) for the September quarter 2009 showed that annual growth in seasonally adjusted hourly rates of pay (excluding bonuses) eased to 3.6%, down from 3.8% in the preceding quarter, marking the slowest rate of growth in three years.
- Growth in the aggregate LPI in the September quarter was 0.7% (seasonally adjusted), the weakest quarterly increase since June 2004.

Public/private sectors

- Annual wages growth in the private sector eased to 3.2%, a seven and a half year low and significantly slower than the 4.6% aggregate increase in the public sector.

Industry sectors

- By sector, in original terms, the highest annual wage adjustments were in public administration & safety (4.6%); transport, postal & warehousing (4.5%); healthcare & social assistance (4.5%); and electricity, gas, water & services (4.4%).
- The sectors with the lowest growth were financial & insurance services (2.2%); manufacturing (2.5%); and other services (2.6%).
- Manufacturing hourly rates of pay grew by 2.5% in the year to the September quarter 2009, down from 2.6% in the previous quarter. This represents the softest rate of manufacturing wages growth in the timeseries' 12-year history.
- Construction hourly rates of pay rose by 3.7% in the September quarter.

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Policy implications

- The 0.7% rise in the LPI in the September quarter 2009 was in line with market expectations.
- Although annual wages growth has eased in 2009, consistent with the moderation in trend employment growth, pay outcomes have held up reasonably well.
- A further moderation is likely in the final quarter of 2009, with annual growth outcomes in the period to reflect the Australian Fair Pay Commission's decision to maintain the present minimum wage rate.

Chart: Annual growth total and manufacturing LPI (original terms)

