

Labour Price Index June quarter 2010

ECONOMIC ALERT

18 August 2010

KEY POINTS

Labour Price Index

- The Labour Price Index (LPI) for the June quarter 2010 showed that annual growth in seasonally adjusted hourly rates of pay (excluding bonuses) was stable at 3.0%.
- The June outcome remains at the second slowest rate of annual growth recorded over the past ten years.
- Growth in the aggregate LPI in the June quarter was 0.8% (seasonally adjusted), an easing from the 0.9% recorded in March quarter, which was the strongest quarterly increase since December 2008.

Public/private sectors

- Annual wages growth in the private sector lifted marginally from 2.6% in the March quarter 2010 to 2.8%.
- Annual wages growth in the public sector eased from 4.2% to 4.0% in the June quarter 2010.

Industry sectors

- By sector, in original terms, the highest annual wage adjustments were in electricity, gas & water services (4.7%); health care & social assistance (4.0%); education & training (3.9%); mining (3.8%); and public administration and safety (3.7%).
- The sectors with the lowest growth were wholesale trade (1.7%); information media & telecommunications (2.0%); accommodation and food services (2.0%); and other services (2.4%).
- Manufacturing hourly rates of pay grew by 2.5% in the year to the June quarter 2010, up from 2.1% in the previous quarter.
- Construction hourly rates of pay rose by 2.9% in the June quarter 2010.

Policy implications

- The June quarter 2010 labour price data shows little evidence that annual wages growth is accelerating rapidly despite solid employment growth over recent quarters.
- Today's release of the Labour Price Index will help allay concerns that wages will be a driver of any inflationary pressures over coming quarters.
- Consequently, the Reserve Bank Board has further evidence enabling it to pause further before considering any additional increases in the official cash rate.

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

