

Labour Price Index June: quarter 2011

ECONOMIC ALERT

17th August 2011

KEY POINTS

Labour Price Index

- The Labour Price Index (LPI), which measures total hourly rates of pay excluding bonuses, increased by a seasonally adjusted 0.9% in the June quarter 2011 following growth of 0.8% in the previous quarter.
- Annual growth in the aggregate LPI in the June quarter moderated to 3.8% (from 3.9% in the March quarter 2011).

Public/private sectors

- Annual wages growth in the private sector increased moderated from 3.9% in the March quarter 2011 to 3.8% (seasonally adjusted).
- Annual wages growth in the public sector increased slightly from 3.6% to 3.7%.

Industry sectors

- By sector, in original terms, the highest annual wage adjustments were in wholesale trade (4.7%); financial and insurance services (4.5%); mining (4.1%); manufacturing (4.1%); transport, postal and warehousing (4.1%); professional scientific and technical services (4.0%) and; construction (3.9%).
- The sectors with the lowest rates of growth were accommodation and food services (3.0%) and media and telecommunications (3.2%) and retail trade (3.3%).
- In annual terms, manufacturing hourly rates of pay remained steady at 4.1% in the June quarter. In the construction industry annual growth in hourly rates of pay moderated from 4.3% to 3.9%.

Policy implications

- The labour price data shows that wages growth in the June quarter 2011 was slightly softer than the median market forecast of 1.0%.
- In addition, annual wages growth moderated to a 3.8% rate and is still well below the 4.5% limit that the RBA sees as consistent with its inflation target, although it is up on the 3.1% growth of a year ago.
- The softer wages outcome combined with greater downside risks to the global economy adds to the case for the RBA to keep interest rates on hold in the near term. A risk for the RBA is the strengthening in mining investment and the intensification of skill shortages which have the potential to exert upward pressure on wages and other costs.

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

