

Producer Price Index – June Quarter 2011

KEY POINTS

Overview

- Producer price growth at the preliminary and intermediate stages of production averaged a little above 1 per cent over the past two quarters, which was broadly in line with the growth rates seen since the start of 2010 (Table 1; Chart 1).
- Given this pattern, it is surprising to see producer price growth in excess of 2 per cent at the preliminary and intermediate stages of production in the June quarter (Table 1).
- This relatively strong growth in producer prices compared to the average rate recorded since the start of 2010 is partly due to strong price increases in the oil & gas extraction and petroleum refining sectors.
- Unfortunately, the ABS doesn't publish an underlying measure of producer prices that abstracts from these, and other potentially volatile, price changes.
- However, simple calculations suggest that if these price rises are ignored, producer price growth in the June quarter would have been broadly in line with the average rate seen in recent quarters.
- Hence, in underlying terms, today's data does not necessarily suggest that inflation pressures have increased. More likely, producer price growth has remained broadly constant over the past 12 to 18 months, and in line with the average rate of growth recorded over the past 5 years.

Table 1: Quarterly Growth in Producer Prices

	Preliminary commodities	Intermediate commodities	Final commodities
March 2010	1.0	1.2	1.0
June 2010	1.5	0.9	0.3
September 2010	1.2	1.1	1.3
December 2010	0.1	0.0	0.1
March 2011	2.6	2.3	1.2
June 2011	2.8	2.1	0.8

The manufacturing and construction sectors

- Manufacturing output prices grew modestly (by 0.9 per cent) in the June quarter 2011, following strong growth in the March quarter. Year-ended growth is still clearly below the average rate recorded over the past 4 to 5 years (Chart 2). In contrast, manufacturing input prices increased solidly in the quarter (by 3.7 per cent), consistent with recent findings of the Australian PMI.

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ECONOMIC ALERT

25 July 2011

- Output price growth in the house construction sector remained subdued in the June quarter 2011, with year-ended growth remaining well below the average rate seen between 2004 and 2008 (Chart 3).
- Output price growth in the other-residential construction sector picked up strongly in the June quarter 2011, though year-ended growth remains well below the average rate of growth seen between 2004 and 2008 (Chart 4).

Chart 1

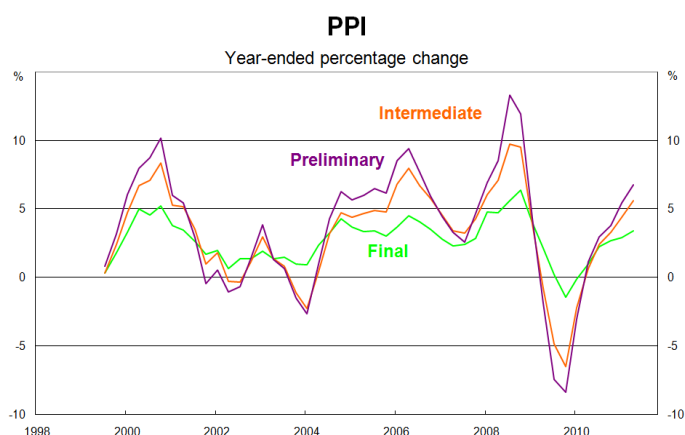


Chart 2

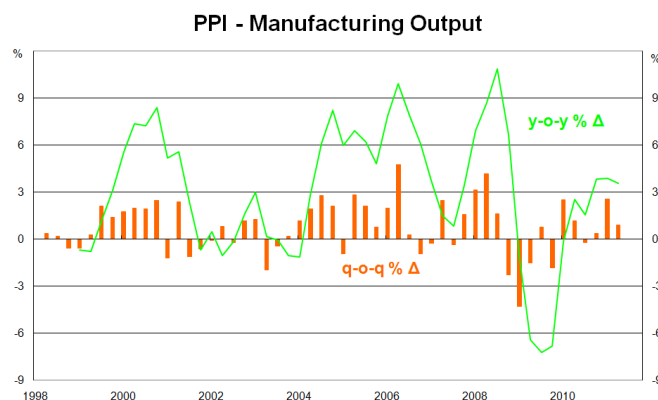


Chart 3

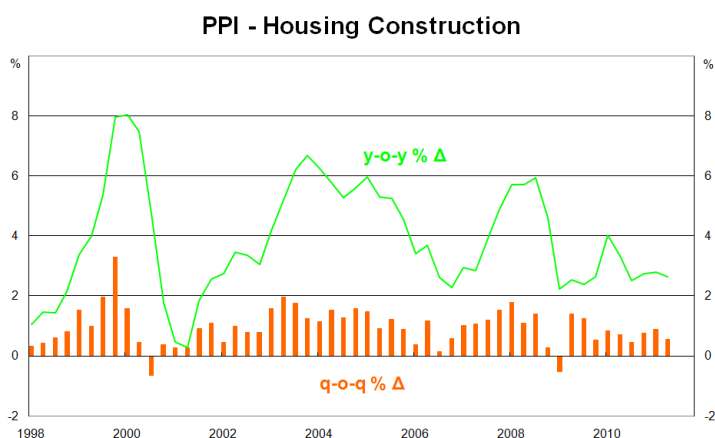


Chart 4

