

Wednesday, 27 July 2011

New CPI figures show pressure on working families no cause for interest rate rise

The latest inflation figures released today show there is no justification for a rise in interest rates while working households continue to face pressures from increases to the cost of food, housing, health and education, say unions.

ACTU President Ged Kearney said the CPI June quarter figure of 0.9% reported today was manageable and within the Reserve Bank's target band.

"But the basic necessities families have to pay for each week went up significantly higher, confirming working Australians are paying far more for these essentials now," Ms Kearney said.

"This is highlighted when we consider the CPI rose by 3.6% over the 12 months to June, with basic necessities climbing higher.

"The cost of housing alone rose by 4.6% during the past 12 months. Families and singles who are paying off their own home cannot afford another interest rate rise."

Ms Kearney said the Reserve Bank of Australia's preferred measure of calculating CPI was the underlying inflation rate, which increased by 2.7% between June last year and this year.

"This is still within the RBA's target band of 2-3% and confirms there is no need to lift interest rates," she said.

"We can see that the basics all families and individuals must pay for every week are rising faster than the overall CPI, showing the real pressures on low-to-middle-income families.

"We expect this to be confirmed when the quarterly household living cost index is released next month.

"Average wages have risen by around 3.8% over the past year, suggesting many workers are barely keeping up with inflation."

Ms Kearney said CPI had risen in the June quarter by more than the predicted 0.8%, underscoring further the pressure on families.

"We urge the Reserve Bank to recognise the pressures on families and not raise interest rates at this time," she said.

Media contact:

Rebecca Tucker ph (03) 9664 7359 or 0408 031 269; rtucker@actu.org.au