

Tuesday 19 July 2022

RBA: Businesses raising prices, not wages, contributing to inflation

Minutes from the last Reserve Bank of Australia board meeting of 5 July, released today, show that it is businesses passing on price increases from the “non labour inputs” that is a key contributor to inflation, and not wage growth.

The RBA board minutes noted that companies “had indicated a greater propensity to pass through cost increases to consumer prices. As a result of these price pressures, inflation was expected to increase in year-ended terms through the remainder of 2022.”

This underlines the findings of yesterday’s Australia Institute report which showed that profits are the main contributor to inflation in Australia.

The RBA did not blame wages for inflation, noting that while wages are expected to grow in the future, they are still only growing at 2.4 % in the year to March 2022, while by their own predictions inflation is tipped to reach 7% by the end of the year.

The RBA also noted that economic activity is softening because of household uncertainty around inflation and interest rates, suggesting that the cost of living crisis could become a threat to the Australian economy.

Quotes attributable to ACTU Secretary Sally McManus:

“Big businesses are pocketing record profits, while passing on price rises to consumers and refusing to grant real pay rises for workers.

“Working Australians could, and should, be getting their fair share of the economic recovery. Instead, the recovery is being siphoned into offshore bank accounts and record CEO bonuses.

“If working Australians don’t have money to spend on basics, they are not going to spend on discretionary items. These minutes from the RBA show that they agree – low wage growth and low spending is a brake on the economy.

“The bargaining system should be providing wage growth that keeps pace with the cost of living. But after years of neglect at the hands of Coalition governments who prioritise big businesses’ interests, that system isn’t working and must be fixed.

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