

Thursday, 23 February 2023

Profits, not wages are pushing up inflation

New research from Australia Institute economist Dr Jim Stanford has confirmed that excessive corporate profits are the main driver of inflation, not wages.

The research findings come in the same week Qantas announced a \$1.4 billion profit, supermarket giants Woolworths revealed a \$907 million profit (up 14%) and Coles announced \$643 million profit (up 17.1%), hot on the heels of Commonwealth Bank, which recently reported a record \$5.15 billion in profit (up 9%).

Inflation would have stayed within the Reserve Bank of Australia's target band had companies not pumped up prices and squeezed consumers over the past 18 months, Dr Stanford's research finds.

Yesterday's Wage Price Index revealed that workers in Australia are enduring the biggest real wage cut in history. Inflation is at 7.8% while wage growth is at 3.3% in the year to December 2022. Inflation is clearly outpacing wage growth.

Key findings from Dr Stanford's research include:

- Excessive corporate profits account for 69% of additional inflation beyond the RBA's target, while unit labour costs account for just 18% of that inflation.
- Without these excessive corporate price rises and profits, the RBA's nine consecutive interest rate rises would have been unlikely based on its own policy framework.
- Real wages in Australia fell by 4.5% in 2022, the largest fall on record.

Quotes attributable to ACTU Secretary Sally McManus:

"What we're seeing is a greed-price spiral. Qantas has joined Coles and Woolworths, as well as the Commonwealth Bank in posting eye-watering profits. Inflation is being fed by these companies putting up prices far more than they need to.

"Wage growth is clearly not contributing to inflation. Any wage rises in 2022 and early 2023 have been eaten up by price rises and interest rate rises. Real wages are going backwards, a shocking 4.5%. More needs to be done to get wages moving.

"The ACTU calls on big companies to drop their prices and moderate their unreasonable profit expectations.

"Workers are going backwards. Supermarkets and big business are putting prices up more than they need to, and workers are feeling the pain.

"The people getting the best pay increases are union members. Last year, union members took home on average \$312 a week more than non-union members.

“Big companies know people have no choice other than to pay the prices they set for essentials such as groceries and energy, and business is making record profits and driving up inflation.”

Media

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