media release

ACTU
australian council of trade unions

RBA Board should rule out further rate hikes

The Reserve Bank Board should rule out further rate hikes next week, said the ACTU in response to today's inflation figures.

Further interest rate hikes from here would penalise workers who have recently received the Albanese Government's tax cuts, energy relief and finally, some real wage growth. Households are under enormous cost-of-living pressures, and consumer spending is weak.

It also risks being counterproductive. With rents continuing to drive inflation, a further rate hike would only lift them further.

Headline inflation increased 3.8 per cent over the year to June 2024, in line with the RBA's latest forecasts.

The figures come as economic growth has slowed in line with RBA forecasts, and the unemployment rate has risen.

Inflation has more than halved from a high of 7.8 per cent at the start of last year and is close to the RBA's target.

A key driver of inflation continues to be the huge increases in insurance premiums, with the sector lifting prices by 14 per cent over the past 12 months.

Petrol prices have also risen for the quarter, caused by events overseas and not by the spending habits of workers already under significant cost-of-living pressure.

Today's inflation outcome is in line with the pattern of other advanced economies which saw their prices remain just above 3 per cent for about 6 months before reducing further. The rise and fall of inflation in Australia has lagged behind those economies throughout this period.

However, New Zealand's central bank raised interest rates more than Australia, contributing to them dipping into recession twice, but not reducing inflation any faster than Australia.

Quotes attributable to ACTU President Michele O'Neil:

"A rate rise next week would be unnecessary pain for no gain.

"It would hurt working people who are already doing it tough when it comes to paying rents or mortgages, and who have done nothing to cause this cost-of-living crisis.

"It would also risk pushing up unemployment and do little to tackle the underlying causes of current price pressures.

"Current inflation is driven by supply challenges, such as housing and petrol costs, and steep increases in insurance linked to price gouging. A rate increase would only make housing costs harder to meet for working families.

"The Board next week should put today's figures in perspective: inflation has more than halved since the start of last year and is now very close to its target range.

"They should also heed the New Zealand experience: they raised rates higher than Australia but pushed their economy into technical recession and didn't reduce inflation any faster.

"A rate rise would push up rents and mortgages even higher, when working people and households are struggling, and it won't fix the underlying inflation problems in the economy.

"The Reserve Bank should rule out a further interest rate increase."

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