media release

ACTU
australian council of trade unions

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Softening jobs market yet another reason for the RBA to cut rates – ACTU

Today's jobs data ramps up the urgent need for a rates cut when the Reserve Bank of Australia meets next month.

The RBA has waited too long to cut rates, as evidenced in today's national labour force data exposing a softening jobs market as unemployment ticked upwards.

Unemployment rose to 4 percent in December, from 3.9 percent in November.

The RBA has said that unemployment would need to rise to 4.5 per cent for inflation to be sustainably within its 2-3 percent target band. Yet inflation has already dropped from a high of 7.8 percent to 2.2 percent. Unemployment has risen from 3.5 percent to 4 percent over the same period.

Australian Unions are concerned the current interest rate settings could threaten more jobs, including among the one million newly created jobs since the Albanese Government was elected.

Low economic growth in the private sector should serve as another clear warning sign that a new cycle of interest rates easing is urgently needed from February.

Moderating underlying inflation, confirmed in last week's release of the November CPI figures, should also provide more reason for the RBA to confidently cut rates – without the need to sacrifice more jobs in the inflation fight.

Quotes attributable to ACTU President, Michele O'Neil:

"Today's softening jobs figures provide yet more evidence of the need for an urgent rate cut.

"Yet the Reserve Bank has stuck to the view that unemployment needs to go up further, before interest rates can come down. That view is outdated, flawed and will put more workers' livelihoods at risk.

"Inflation has not been caused by workers spending. It has been caused by international supply side shocks, amplified by corporate price gouging.

"So, waiting for unemployment to get worse before cutting rates is harsh and unnecessary.

"To hit the RBA's desired rate of 4.5 percent unemployment, another 80,000 workers would have to lose their jobs, based on today's figures.

"The RBA's view that a sustainable jobs market needs to have an unemployment rate of 4.5 percent, or higher, is out of date and puts more workers' livelihoods at risk.

"Waiting for more job losses before easing back on rates is an unfair penalty to exact on workers and their families and will do nothing to tame headline inflation that is already within the RBA's target band.

"The RBA has a legislated objective to support full employment, and it is time the Bank's Board did that.

"Private sector investment has slowed, and workers are being so cautious that they are saving more than the income boosts they got from the July tax cuts to rebuild their savings and pay off debt.

"If it wasn't for Government-backed real wage growth for award workers, and workers in the public sector, and care economy, household budgets would be further strained.

"The RBA needs to join central banks in the rest of the developed world that have begun cutting rates.

“Waiting for more job losses is asking workers to pay for the Bank’s failures to heed clear signals that rates relief is needed now.”

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