Wage growth remains weak despite strong economy

By ONE News Political Editor Corin Dann Wednesday May 06, 2015 Source: ONE News

-

Source: Breakfast

Sluggish growth in wages in the first three months of the year looks set to put more pressure on the Reserve Bank to cut interest rates.

Statistics New Zealand data out today showed the unemployment rate was steady at 5.8 per cent in the March quarter.

This was largely due to a big increase in the size of the labour market with the participation rate rising to 69.6 per cent.

Of particular interest to the Reserve Bank however will be the wage growth figures, as the bank has said it is closely watching for any sustained signs of weakness in wage expectations.

According to today's release, wage growth as measured by the Labour Cost Index, increased just 0.3 per cent in the March quarter, leaving it at 1.7 per cent for the year.

While the Quarterly Employment Survey (an alternative measure of wage growth) increased at 2.1 per cent, for the year, the lowest increase since the year to the June 2013 quarter.

Westpac Economists say the wage growth was softer than expected and wage inflation continues to be dampened by low consumer price inflation, which has meant the cost of living adjustments to wages have been limited.

Advertisement

Overall however the economists say that the data indicates an economy growing at a solid pace, albeit one with spare capacity in the labour market and with nominal wage pressures that remain subdued.

They say it reinforces their view that the OCR will remain on hold for some time, and adds to the risk of cuts over the coming year