

Economic Analysis

Wage Price Index Q4 2023

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 0.9% in Q4 2023, in line with market expectations.

The annual rate of wages growth accelerated 0.1ppts to 4.2%, from the upwardly revised 4.1% in the previous quarter. This was the fastest annual increase since Q1 2009, supported by the minimum and award wage hikes that took effect in Q3, following the Fair Work Commission annual wage review for 2022-23.

Private sector wages rose 0.9% in Q4, while the 1.3% increase in the public sector was the largest since Q4 2008. The strong increase in public sector wages mainly reflected newly implemented enterprise agreements in New South Wales and Queensland.

%	QoQ	YoY
WPI Seasonally Adjusted	0.9	4.2
WPI Unadjusted	0.9	4.3
WPI Private Seasonally Adjusted	0.9	4.2
WPI Public Seasonally Adjusted	1.3	4.3

Industry Sectors (Unadjusted)

The strongest quarterly increase in wages (unadjusted) was recorded for education and training (1.7%), reflecting public sector enterprise agreements in the industry. Healthcare and social insurance saw the strongest annual growth of 5.5%, which was also the largest increase for this industry on record.

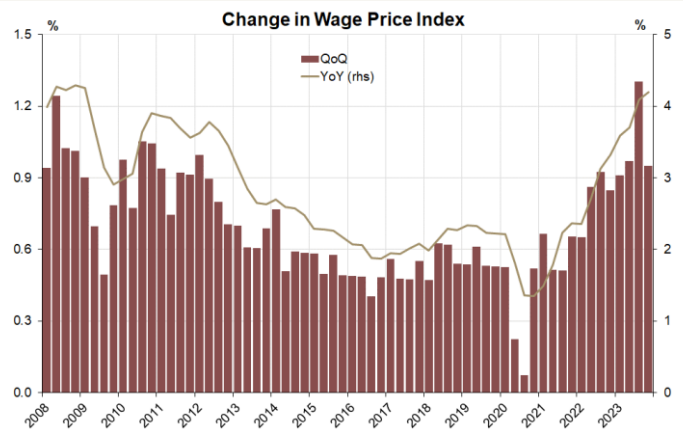
The smallest quarterly increase was in accommodation and food services (0.3%), but this followed a strong increase in the previous quarter. The finance and insurance industry registered the slowest annual growth of 3.2%.

States (Unadjusted)

The strongest quarterly wage gains were in New South Wales (1.3%), followed by Queensland (0.9%) which also saw the strongest annual gain of 4.8%. Tasmania registered the smallest quarterly increase of 0.5%, and Victoria the slowest annual growth of 3.7%.

Western Australian wages rose 0.8% in Q4 2023, to be up 4.7% through the year, the second strongest annual increase of all states. Western Australian private sector wages increased by 0.8% in the quarter and 4.6% over the year, the most of all states. Public sector wages are up 1.0% QoQ and 5.2% YoY.

WPI (Unadjusted, %)	QoQ	YoY
Western Australia	0.8	4.7
New South Wales	1.3	4.3
Victoria	0.7	3.7
Queensland	0.9	4.8
South Australia	0.8	4.0
Tasmania	0.5	4.3



Comment

The wage price index for Q4 2023 was in line with expectations, with real quarterly wages growth turning positive for the first time in almost two years.

Enterprise agreements were responsible for almost half the quarterly increase, while the public sector contributed 34% to overall wage growth, rather than the usual 10% to 25% contribution.

Individual arrangements added 0.4ppts to unadjusted quarterly wage growth, down from 0.74ppts in Q3 but similar to the contribution made in Q4 2022. This is still somewhat more than in the years immediately prior to the pandemic and reflects the ongoing tightness in the labour market.

The SEEK advertised wages growth has stabilised at around 4.5% in annual terms but decelerated markedly in monthly terms to just 0.3% in late 2023. The RBA expects that the annual rate of wages growth will remain at around 4% until the middle of 2024, before slowing gradually, to reach 3.2% in mid-2026.

The wages report had little impact on RBA cash rate expectations or debt markets. Trader attention is now turning to the monthly CPI report for January, which is scheduled for release in a week.

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