

Economic Analysis

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 0.8% in Q2 2023, slightly slower than the 0.9% expected.

This was the third consecutive quarter where wages rose by 0.8%.

The annual rate of wages growth decelerated 0.1ppts to 3.6%, which also narrowly missed the 3.7% consensus.

Private sector wage growth was unchanged from the previous quarter, both in quarterly and annual terms (0.8% and 3.8%, respectively). Public sector wage growth slowed 0.3ppts to 0.7% in the quarter, but accelerated in annual terms (by 0.2ppts to 3.1%).

| % | QoQ | YoY |
|---------------------------------|-----|-----|
| WPI Seasonally Adjusted | 0.8 | 3.6 |
| WPI Unadjusted | 0.6 | 3.6 |
| WPI Private Seasonally Adjusted | 0.8 | 3.8 |
| WPI Public Seasonally Adjusted | 0.7 | 3.1 |

Industry Sectors (Unadjusted)

The largest contribution to the Q2 increase in the wage price index came from construction (+1.3%), which saw the strongest increase and is a large employer.

There were also strong quarterly increases in transport, postal and warehousing services (+1.0%), utilities (+0.9%) and manufacturing (+0.8%).

The slowest quarterly increase of 0.3% was reported for public administration and safety, as well as 'other services'. However, in both cases this followed strong gains in the previous three quarters.

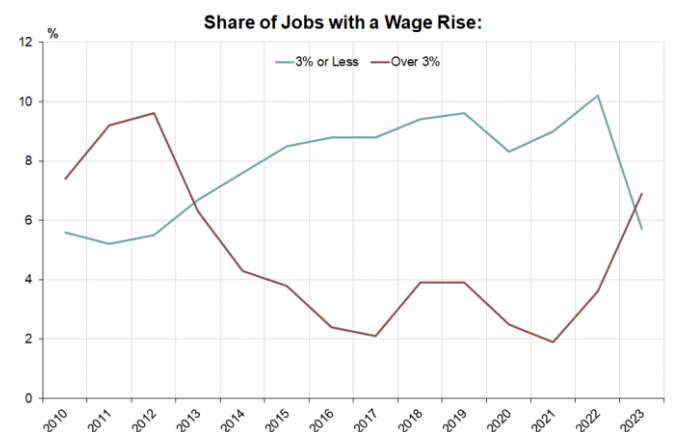
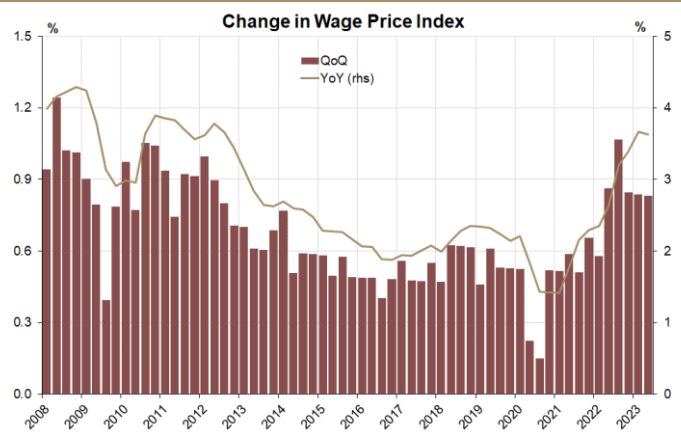
States (Unadjusted)

Solid wage increases were recorded for all mainland states, with Western Australia again seeing the strongest gains, of 0.8% QoQ and 4.2% YoY. The slowest QoQ rise was reported for Tasmania (0.4%), while New South Wales saw the smallest annual increase of 3.4%.

The 0.8% QoQ growth in Western Australian wages was 0.3ppts slower than in Q1. The annual rate of WA wages growth also slowed slightly compared to the previous quarter. Private sector wages growth accelerated to 0.9% QoQ but slowed to 4.3% YoY. Public sector wages rose by 0.5%. However, thanks to the 2.1% rise in Q1, the annual rate of public sector wages growth accelerated to 3.5% unseen since Q3 2015.

| WPI (Unadjusted, %) | QoQ | YoY |
|---------------------|-----|-----|
| Western Australia | 0.8 | 4.2 |
| New South Wales | 0.5 | 3.4 |
| Victoria | 0.7 | 3.6 |
| Queensland | 0.7 | 3.7 |
| South Australia | 0.6 | 3.7 |
| Tasmania | 0.4 | 3.9 |
| Australia | 0.6 | 3.6 |

Wage Price Index Q2 2023



Comment

Wages growth in Q2 missed the market expectations, rising at the same pace as in the previous three quarters in QoQ terms and decelerating slightly in annual terms. However, there are still some upside factors to consider.

First, the timeframe of the Q2 report precedes minimum and award wage hikes effective on 1 July 2023.

Second, the proportion of jobs receiving a wage rise of above 3.0% YoY **remains** higher than that for jobs receiving 3.0% YoY or less. It is also the highest in any second quarter since Q2 2012.

Third, wages hikes continue to be driven by individual arrangements. The 0.4ppts contribution from this factor has been largely unchanged for the past three quarters.

The RBA Board minutes, also issued this morning, warned that WPI growth could accelerate in the second half of 2023 and repeated that productivity growth needs to re-accelerate for labour costs to be consistent with the inflation target.

The RBA cash rate expectations declined after the wage price index, but a 25bps hike is still partly priced in for the turn of 2023 and 2024.

15 AUGUST 2023

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