

Economic Analysis

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 0.8% in Q1 2023, in line with the market expectations and same as in the previous quarter. The Q1 increase took the annual growth rate to 3.7%, which is the highest level since Q3 2012.

Private sector wage growth decelerated further in quarterly terms to 0.9% from 0.8%, but was faster in annual terms (3.8%). The growth rate of public sector wages picked up to 0.9% QoQ and 3.0% YoY. The proportion of public sector jobs receiving a wage rise was the highest since Q3 2018 (38%).

%	QoQ	YoY
WPI Seasonally Adjusted	0.8	3.7
WPI Unadjusted	0.8	3.6
WPI Private Seasonally Adjusted	0.8	3.8
WPI Public Seasonally Adjusted	0.9	3.0

Industry Sectors (Unadjusted)

The largest contributions to the Q1 increase came from gains recorded in education and training (+1.5%) as well as professional and scientific services (+0.9%), both large employers.

There were also strong quarterly increases in 'other services' (+1.1%), arts and recreation (+1.0%), administrative and support services (+1.0%) as well as public administration and safety (+0.8%).

The slowest quarterly increase of just 0.1% was reported for accommodation and food services. However, this followed a solid gain in previous quarters (+1.7% in Q4 and +1.3% in Q3). There was also a further slowdown in wage growth in retail trade, to just 0.2% (the slowest since mid-2021).

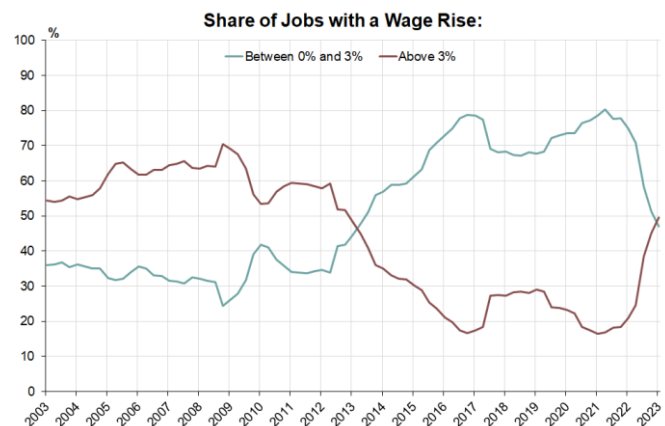
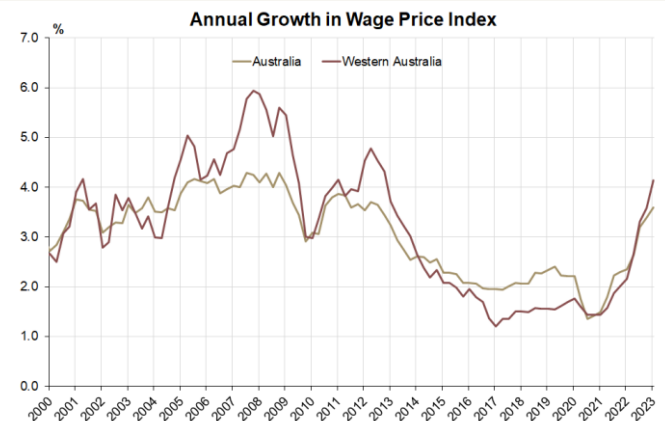
States (Unadjusted)

Solid wage increases were recorded for all states, with Western Australia and Tasmania seeing the strongest gains, of 1.1% QoQ and 4.1% YoY in both cases. The slowest quarterly rise was reported for South Australia (0.6%), while New South Wales and Victoria saw the smallest annual increases of 3.5% in both cases.

The acceleration in Western Australian wage growth was led by both private and public sector wages. Private sector wages rose 0.8% in Q1, to be up 4.4% YoY. Public sector wages rose by 2.1% QoQ, due to the settling of the public sector wage agreement, to be up 3.1% YoY.

WPI (Unadjusted, %)	QoQ	YoY
Western Australia	1.1	4.1
New South Wales	0.7	3.5
Victoria	0.7	3.5
Queensland	0.8	3.7
South Australia	0.6	3.6
Tasmania	1.1	4.1
Australia	0.8	3.6

Wage Price Index Q1 2023



Comment

As expected, wages growth accelerated further in Q1, and wage inflation broadened across the economy.

First, the proportion of jobs with a higher wage increase than the year before rose to a series high of 59.8%.

Second, the proportion of jobs receiving a wage rise of above 3% YoY is now slightly higher than that for jobs receiving 3% YoY or less. 10.6% of jobs saw a wage increase of more than 6% YoY.

Third, quarterly public sector wages growth, which had been lagging the private sector, was slightly faster than private sector wages. The annual wage growth of public sector wages was still lower than that for private wages.

The share of wage increases was split between individual arrangements (0.4ppts) and enterprise agreements (0.36ppts).

It is too early to say if increased immigration will help alleviate some of the upward pressure from the tight labour market in the coming quarters.

In the minutes issued yesterday, the RBA again warned that the rate of wages growth was consistent with the inflation target, only if productivity growth was to accelerate.

17 MAY 2023

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