

## Economic Analysis

## Wage Price Index Q3 2022

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 1.0% in Q3 2022, slightly faster than the 0.9% rise expected by the markets and accelerating from previous quarters. The Q3 increase took the annual growth rate to 3.1%, which is the fastest increase since Q1 2013.

Private sector wage growth accelerated to 1.2% QoQ and 3.4% YoY, the fastest since Q4 2012. The growth rate of public sector wages was steady at 0.6% QoQ and 2.4% YoY.

| %                               | QoQ | YoY |
|---------------------------------|-----|-----|
| WPI Seasonally Adjusted         | 1.0 | 3.1 |
| WPI Unadjusted                  | 1.4 | 3.2 |
| WPI Private Seasonally Adjusted | 1.2 | 3.4 |
| WPI Public Seasonally Adjusted  | 0.6 | 2.4 |

The trend growth for all sectors was 0.9% QoQ and 3.1% YoY.

### Industry Sectors (Unadjusted)

There were again large disparities in wage growth across industries. The strongest increase was recorded for retail trade (2.4% QoQ and 4.2% YoY). According to the ABS, the increase in the minimum wage and minimum award rates in the annual wage review 2021-22 was a significant contributor to wage increases for retail workers.

Wages growth was the slowest for education and training, but still solid (0.8% QoQ and 2.2% YoY). Mining industry wages saw the second slowest quarterly growth (0.9%), to be 2.7% up through the year.

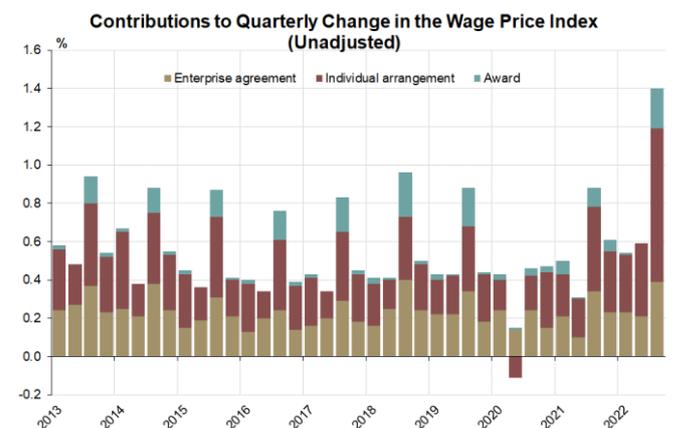
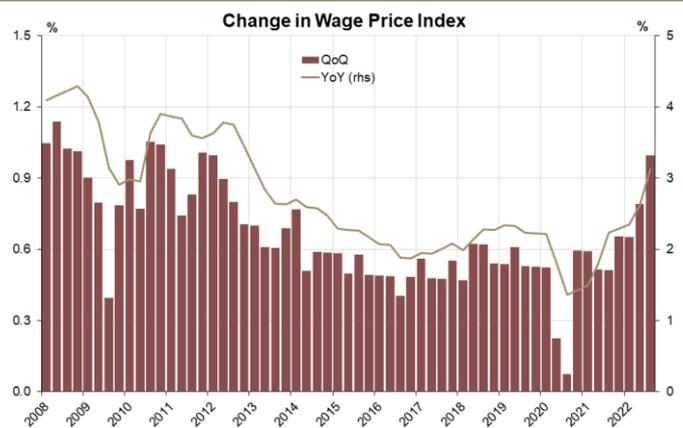
The largest driver of wage increases in Q3 were jobs covered by individual arrangements, adding 0.8ppts to the unadjusted increase of 1.4%, partly due to benchmarking also thanks to the annual wage review. Enterprise agreements contributed 0.4ppts and award changes added 0.2ppts; in both cases this was the most since Q3 2018.

### States (Unadjusted)

Wages rose by 1.4% QoQ in most states, including Western Australia. Faster increases were reported in South Australia (1.8% QoQ) and Tasmania (1.7% QoQ).

Western Australian private wages growth accelerated 0.7ppts to 1.7% QoQ, to be 3.8% up through the year. This was the strongest YoY increase of all the states.

| WPI (Unadjusted, %) | QoQ | YoY |
|---------------------|-----|-----|
| Western Australia   | 1.4 | 3.3 |
| New South Wales     | 1.4 | 3.1 |
| Victoria            | 1.4 | 3.1 |
| Queensland          | 1.4 | 3.4 |
| South Australia     | 1.8 | 3.3 |
| Tasmania            | 1.7 | 3.6 |
| Australia           | 1.4 | 3.2 |



### Comment

As shown by business surveys and the RBA business liaison, wages growth accelerated a bit more decisively in Q3, partly helped by the increase in minimum wages and award rates by the Fair Work Commission.

According to the ABS, apart from retail trade, the sectors most impacted by the annual wage review were administrative and support services, accommodation and food services, public administration and safety, as well as health care and social assistance.

However, the acceleration in wage growth is being supported by a very tight labour market. For the second quarter in a row, there were less than two officially unemployed people per one internet job vacancy in Q3. Despite a slight increase, the underutilisation rate of 9.6% is at one of the lowest levels since the 1980s.

In its most recent Statement on Monetary Policy, the RBA forecasts that wage growth will accelerate further, reaching 3.9% towards the end of 2023 and continue at that pace until the end of 2024, despite expectations of a weakening in labour market conditions. The labour force survey for October will be released tomorrow.

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