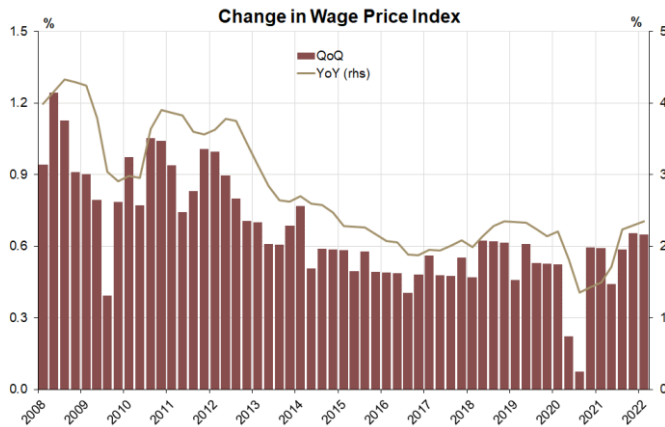


Economic Analysis

Wage Price Index Q1 2022

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 0.7% in Q1 2022, in line with the market expectations and at the same pace as the previous quarter. The Q1 increase took the annual growth rate to 2.4%, against 2.3% in the previous quarter.



Private sector wages grew 0.7%, which was roughly at the same pace as in the previous quarter, with annual growth also steady at 2.4% YoY. Public sector wage growth slowed by 0.1ppt to 0.6%, although annual growth increased to 2.2% from 2.1% in Q4 2021.

	%	QoQ	YoY
WPI Seasonally Adjusted	0.7	0.7	2.4
WPI Unadjusted	0.6	0.6	2.4
WPI Private Seasonally Adjusted	0.7	0.7	2.4
WPI Public Seasonally Adjusted	0.6	0.6	2.2

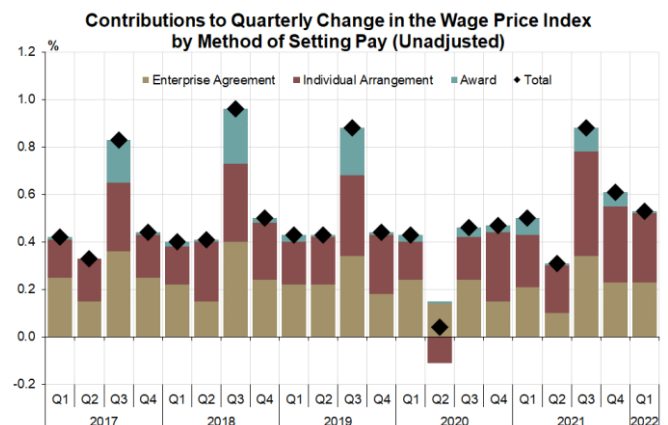
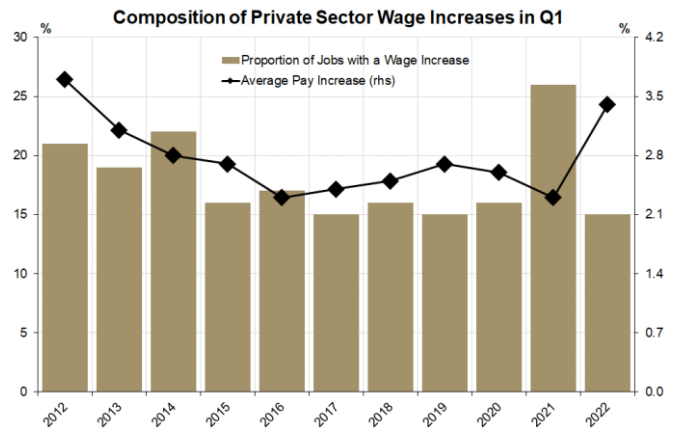
Industry Sectors (Unadjusted)

There were again large disparities in wage growth across the industries. The weakest quarterly growth was recorded for utilities, retail and hospitality (0.3%), while education and training, as well as arts and recreation services, saw the strongest increases (0.8%). Rental, hiring and real estate services recorded the largest annual gain in wages (3.1%).

States (Unadjusted)

Quarterly wage growth ranged between 0.5% and 0.6% across the states. The strongest annual increase was again recorded for Tasmania (2.8%), while South Australia and Western Australia saw the smallest annual gains (2.2%).

WPI (Unadjusted, %)	QoQ	YoY
Western Australia	0.5	2.2
New South Wales	0.6	2.4
Victoria	0.6	2.3
Queensland	0.5	2.5
South Australia	0.6	2.2
Tasmania	0.6	2.8
Australia	0.6	2.4



Comment

Aggregate wages growth remained below par in Q1, though there are isolated pockets in the economy that have seen a stronger acceleration in wages.

The proportion of jobs with increasing wages has returned to pre-pandemic March quarter levels. It follows a surge a year ago due to the staggered implementation of award wage increases after the Fair Work Commission's review.

However, there were further signs of faster wages growth. The average private sector wage increase of 3.4%, was the highest for any Q1 in a decade, while individual arrangements, which are more responsive to shifts in labour demand, continued to be the major contributor to growth in the quarter. According to the ABS, the upward pressure on wages was partly driven by faster wages growth for a small proportion of market sensitive, in-demand jobs.

While there are some encouraging signs, aggregate wage growth remains subpar and real wages growth is negative. The RBA will be looking for faster wages growth to sustainably meet its inflation target over time and runs the risk of snuffing out the upward momentum should it raise rates too high too fast.

18 MAY 2022

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