

Economic Analysis

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 1.3% in Q3 2023, in line with the market expectations.

This was the fastest increase in the wage price index on record (since 1997). It was driven by the minimum and award wage hikes by the Fair Work Commission in its annual wage review for 2022-23.

The annual rate of wages growth accelerated 0.4ppts to 4.0%, which is the highest level since 2009.

Private sector wages rose 1.4%, also the fastest growth on record, taking the annual rate to 4.2% (unseen since 2008). Public sector wages rose 0.9% and annual growth accelerated to 3.5% (the most since 2011).

%	QoQ	YoY
WPI Seasonally Adjusted	1.3	4.0
WPI Unadjusted	1.9	4.1
WPI Private Seasonally Adjusted	1.4	4.2
WPI Public Seasonally Adjusted	0.9	3.5

Industry Sectors (Unadjusted)

The strongest quarterly increases in wages (unadjusted) were in accommodation and food services (+3.2%), health care and social assistance (+3.1%) and retail trade (+2.9%). All these industries are highly dependent on a low-paid workforce that benefitted from the minimum wage hike. Accommodation and food services wages saw the strongest annual growth (+5.5%).

Mining saw the smallest increase in wages in the quarter with 0.8%, while finance and insurance had the lowest annual increase of 3.1%.

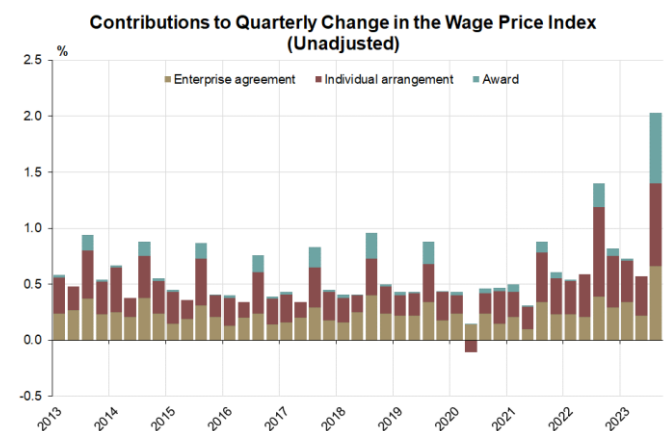
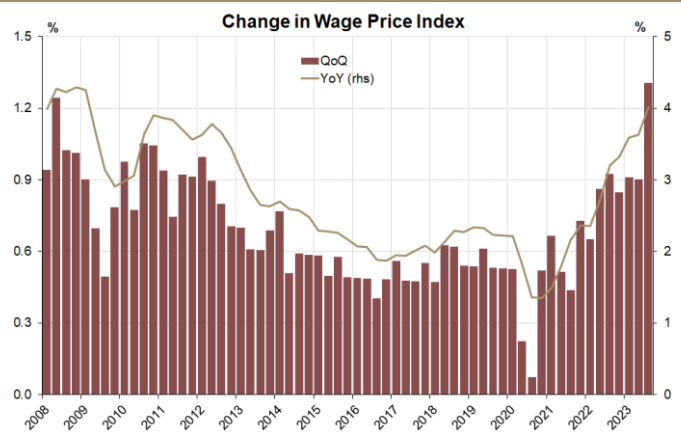
States (Unadjusted)

Wages growth was slowest in Victoria in both quarterly and annual terms, and strongest in Queensland.

Western Australian wages rose by 1.9% in the quarter, to be up 4.6% through the year (the second fastest growth nationwide). Private sector wages rose by 1.9% QoQ, which was the biggest quarterly increase since Q3 2007, while the annual growth rate of 4.6% YoY was the fastest since Q3 2012. Public sector wages gained 1.5% in Q3, to be up 4.8% through the year, the highest annual growth since Q3 2009.

WPI (Unadjusted, %)	QoQ	YoY
Western Australia	1.9	4.6
New South Wales	1.7	3.8
Victoria	1.5	3.7
Queensland	2.3	4.7
South Australia	2.0	3.9
Tasmania	2.2	4.4
Australia	1.9	4.1

Wage Price Index Q3 2023



Comment

As expected, wages growth was strong in Q3, supported by the minimum and award wage hikes as well as the Aged Care Work Value case, that increased wages for aged care workers. These one-off increases were expected to have a big impact on the quarterly wage price index.

Enterprise and individual agreements also made significant contributions to the quarterly increase as labour market pressure and high inflation continue to be factors in wage decisions.

The increase in wages was slightly broader than in Q3 2022, with 46% of jobs seeing a change in remuneration at an average wage change of 5.4%, compared to 43% of jobs and an average increase of 4.0% in 2022.

Since the strong increase in wages in Q3 was widely expected, it did not result in a material change in cash rate expectations, with a 25bps hike still around 30% priced in for February.

15 NOVEMBER 2023

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