

Economic Analysis

Wage Price Index Q4 2021

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 0.7% in Q4 2021, as expected. This was the fastest quarterly growth since March 2014. Annual wage growth accelerated to 2.3%, the most since June 2019.

%	QoQ	YoY
WPI Seasonally Adjusted	0.7	2.3
WPI Unadjusted	0.6	2.3
WPI Private Seasonally Adjusted	0.7	2.4
WPI Public Seasonally Adjusted	0.7	2.1

According to the ABS, the proportion of jobs seeing pay rises was higher than usually seen in Q4. This was attributed to a higher number of pay rises resulting from individual arrangements, which are highly reactive to changes in labour market conditions.

The contribution from jobs covered by enterprise agreements mainly reflected the return of regularly scheduled public sector arrangements after a period of wage freezes. Public sector wage growth accelerated to 0.7%, the highest since Q4 2018, taking the annual wage growth back above 2.0%. The final phase of the Fair Work Commission award rate increases also contributed to the quarterly rise.

Industry Sectors (Unadjusted)

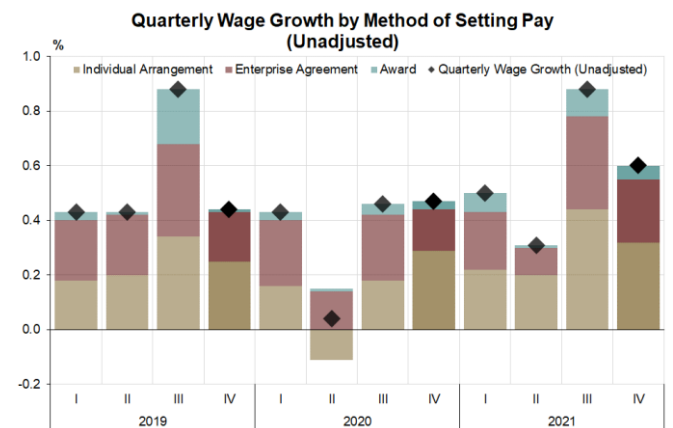
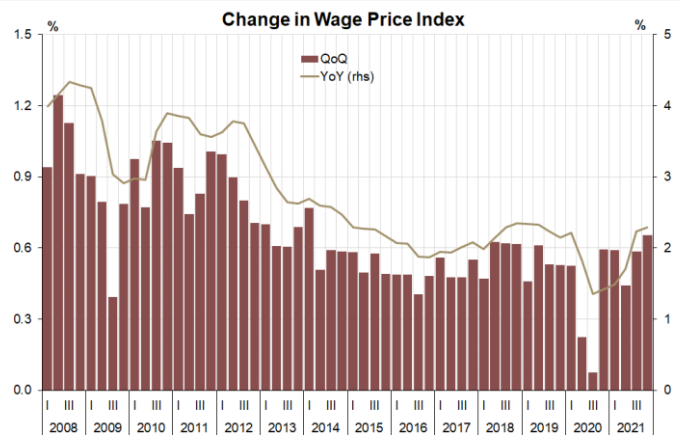
The majority (72.2%) of industries recorded an above-average increase in wage growth. The largest increases in wages were recorded in sectors recovering from the pandemic, that is retail trade (+1.2% QoQ and +2.6% YoY) as well as the hospitality industry (+1.0% QoQ and +3.5% YoY). Information media and telecommunications also saw a large quarterly increase (+1.1%). Education and training saw the smallest quarterly increase of 0.3%.

States (Unadjusted)

The fastest quarterly growth in wages was recorded in Queensland (+0.8%), while Tasmania saw the quickest annual increase (+3.0%).

Western Australia was one of the states that recorded the slowest quarterly rise in wages of 0.5% and had the lowest annual wages growth of just 2.0%. This underperformance came despite comparatively little disruption from COVID-19.

WPI (Unadjusted, %)	QoQ	YoY
Western Australia	0.5	2.0
New South Wales	0.7	2.4
Victoria	0.5	2.3
Queensland	0.8	2.4
South Australia	0.5	2.1
Tasmania	0.6	3.0
Australia	0.6	2.3



Comment

Wages growth continued to normalise in Q4, largely coming back to levels observed just before the pandemic hit. However, at that time, the RBA was in the process of easing monetary policy, partly in response to low wage growth. Annual growth, at just 2.3%, remains below the 3.0% the RBA considers consistent with CPI inflation being sustainably within its 2% to 3% target band, which the Bank would like to see before increasing the cash rate.

The encouraging sign is that individual arrangements contributed more than usual to the Q4 rise in wages. As mentioned above, these pay arrangements are the most reactive to changes in labour market conditions as the tightest conditions since the global financial crisis slowly trickle down to wage growth.

Another major contribution to Q4 wage growth comes from enterprise arrangements, particularly in the public sector thanks to the end of wage freezes in some states. The RBA has warned several times that the end of wage freezes are necessary for wage growth to pick up to desired levels.

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