

Economic Analysis

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 0.7% in Q2 2022, lower than market expectations for a 0.8% rise and at the same pace as in the previous two quarters. The Q2 increase took the annual growth rate to 2.6%, which is the fastest since Q3 2014.

Private sector wages rose by another 0.7%, which was the same as in the previous two quarters, while the annual growth rate accelerated to 2.7%, the most since Q3 2013. The growth rate of public sector wages was unchanged at 0.6% in quarterly terms, but accelerated through the year, to still low 2.4%.

%	QoQ	YoY
WPI Seasonally Adjusted	0.7	2.6
WPI Unadjusted	0.6	2.6
WPI Private Seasonally Adjusted	0.7	2.7
WPI Public Seasonally Adjusted	0.6	2.4

The ABS has reinstated the trend estimates following the break due to unusual developments during the pandemic. The trend changes were largely the same as the seasonally adjusted changes, except for quarterly growth in the trend wage price index for all sectors, which surprisingly decelerated 0.1pts to 0.6%.

Industry Sectors (Unadjusted)

There were again large disparities in wage growth across industries. The strongest increases were recorded for construction (1.4% QoQ and 3.4% YoY). Quarterly wages growth was again slowest for hospitality (just 0.1%), while annual wage increases were also moderate for this sector (2.4%). Mining wages rose by 0.9% in the quarter, to be 2.2% up through the year.

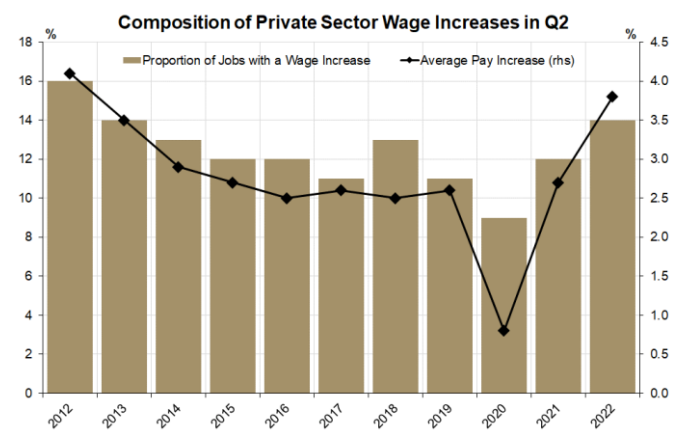
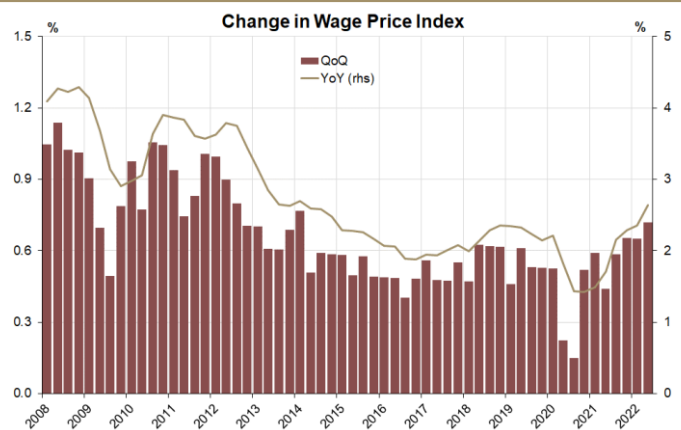
States (Unadjusted)

Western Australia saw the strongest quarterly wage increase of all states (+0.8%) and a solid annual gain of 2.7%. The rise was driven by private sector wages, which rose 1.0% in the quarter and 3.0% through the year, the fastest pace of wages growth since 2013.

In other states, wage growth ranged between 0.4% QoQ and 2.3% YoY in South Australia to 0.7% QoQ and 2.9% YoY in Queensland.

WPI (Unadjusted, %)	QoQ	YoY
Western Australia	0.8	2.7
New South Wales	0.5	2.6
Victoria	0.6	2.5
Queensland	0.7	2.9
South Australia	0.4	2.3
Tasmania	0.6	2.9
Australia	0.6	2.6

Wage Price Index Q2 2022



Comment

Aggregate wages growth remained surprisingly subdued in Q2, given the tightness of the labour market. Again there were pockets in the economy that saw a stronger acceleration in wages and other signs of rising wages pressure in the report.

Firstly, the average Q2 pay increase was the largest since 2012, while the proportion of jobs with increasing wages was the highest in any Q2 since 2013. Secondly, the share of private jobs under individual arrangements with a pay increase within the past 12 months surged to nearly 40%. Thirdly, with bonuses included, wages rose by 3.1% YoY, the most since Q4 2012.

In addition to these indicators of rising wage momentum, the outsized increase to the national minimum wage and the award minimum wage, due to take effect in Q3, will add further upward pressure on wages.

While the wage price index was a little softer than the market expected, the data is in many ways old news now and is unlikely to have an impact on the outlook for monetary policy. We expect another 50bps cash rate hike to 2.35% in September.

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