

## Economic Analysis

The Wage Price Index, measuring total hourly rates of pay excluding bonuses, increased a seasonally adjusted 0.8% in Q4 2022, slower than the 1.0% rise expected by the markets and less than the 1.1% recorded in the previous quarter. The Q4 increase took the annual growth rate to 3.3%, which is the highest since Q4 2012.

Private sector wage growth decelerated to 0.8% QoQ and 3.6% YoY. The growth rate of public sector wages picked up to 0.7% QoQ and 2.5% YoY.

%	QoQ	YoY
WPI Seasonally Adjusted	0.8	3.3
WPI Unadjusted	0.8	3.4
WPI Private Seasonally Adjusted	0.8	3.6
WPI Public Seasonally Adjusted	0.7	2.5

### Industry Sectors (Unadjusted)

The strongest increase of all industries was recorded for accommodation and food services (1.7%). However, the YoY rate of increase for this sector remained moderate at 3.5%.

Due to a larger weighting in numbers, health care and social assistance (0.7%), manufacturing (1.3%), as well as professional, scientific and technical services (0.6%) contributed the most to the rise of the wage price index in the quarter. Wholesale trade saw the biggest annual increase of 4.2%.

The administrative and support services saw the slowest growth in the quarter of just 0.3%, while education and training saw the lowest rate of annual increase (2.4%).

Jobs covered by individual arrangements remained the largest contributor to wage growth, adding 0.46ppts. Enterprise agreements contributed 0.29ppts to the increase in Q4, while awards added just 0.07ppts.

### States (Unadjusted)

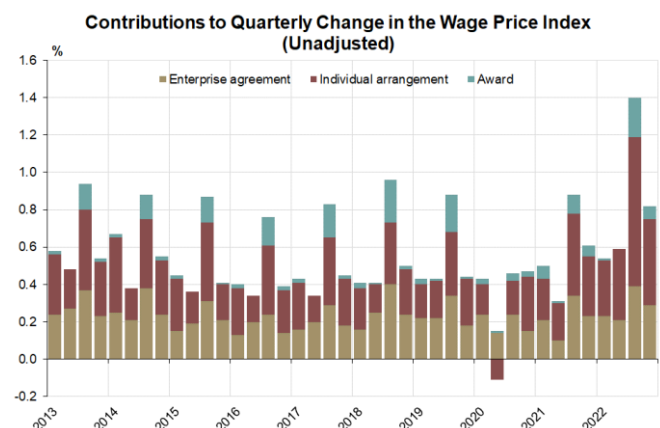
Wages rose by 0.6-0.8% in all states, to be 3.3-3.6% up through the year.

Western Australian wages rose by 0.8% in the quarter, to be 3.6% higher than a year ago. This was the strongest annual rate of increase of all mainland states.

Similar to the nationwide trends, Western Australia was led by the private sector (0.8% QoQ and 4.2 YoY), while public sector wages were up 0.6% in the quarter and 1.1% YoY.

WPI (Unadjusted, %)	QoQ	YoY
Western Australia	0.8	3.6
New South Wales	0.8	3.3
Victoria	0.8	3.4
Queensland	0.8	3.4
South Australia	0.7	3.5
Tasmania	0.6	3.6
Australia	0.8	3.4

## Wage Price Index Q4 2022



### Comment

Quarterly wages growth eased in Q4, after accelerating sharply in the previous quarter, partly due to the increase in minimum wages and award rates by the Fair Work Commission.

As a result of this deceleration, the annual rate of wages growth was a little bit slower than envisaged in the RBA's projection published just two weeks ago (3.3% YoY against 3.5% YoY).

Despite this downside surprise, the annual rate of wage growth is still the highest since late 2012, as exceptionally tight labour market conditions and a rise in the cost of living are gradually creeping into wage agreements.

A report by the Commonwealth Government's Jobs and Skills Commission also issued this morning confirmed that the number of internet job vacancies picked up in January after two months of decline, pointing to ongoing strong labour demand in Australia.

While the Q4 wage price index report poses a downside risk to the RBA's recent projection, due to a lower starting point, we do not expect that this data set will lead to a reversal of the recent hawkish turn. We continue to anticipate a 25bps hike at the March meeting.

22 FEBRUARY 2023

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