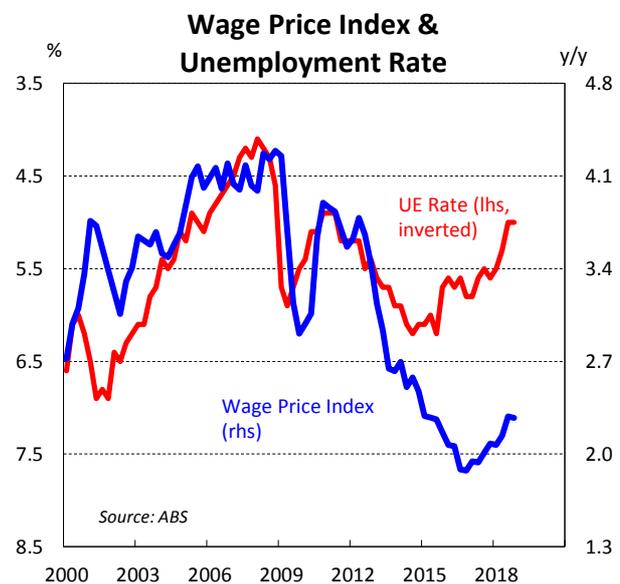
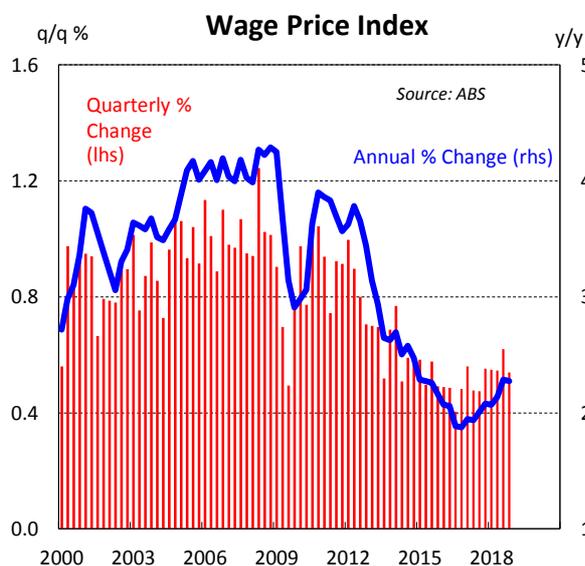


Wednesday, 15 May 2019

## Wage Price Index

### Holding at Low Altitude

- Wages are continuing to grow at a benign pace. In the March quarter, the wage price index lifted 0.5%, which was below the consensus and our estimate for growth of 0.6%. The annual pace however, was in line with expectations at 2.3%, unchanged for three consecutive quarters.
- Wage growth in the quarter was weighed down by soft growth in public sector wages, which rose 0.4%. It was the weakest quarterly rise since the series began in 1997.
- Private sector wages grew 0.5% in March quarter. On an annual basis, private sector wages picked up from 2.3% in the December quarter to 2.4% in the March quarter. While it remains a soft pace of growth, it was the strongest annual pace since late 2014.
- Annual wage growth eased in industries which have faced the largest job losses over the past year. These industries include manufacturing, construction and retail. There were however, industries with a noticeable pick up in wage growth. These included mining, professional scientific & technical services and healthcare & social assistance.
- As a trend, the unemployment rate has held steady at 5.0% over the past five months, but we are expecting a moderation in labour market conditions. Given this outlook, it would seem unlikely for wage growth to pick up substantially. It suggests inflation will remain low for some time.



Wages are continuing to grow at a benign pace. In the March quarter, the wage price index lifted 0.5%, below the consensus and our estimate for growth of 0.6%.

The annual pace however, was in line with expectations at 2.3%, and has held at this pace for three consecutive quarters.

Wage growth in the quarter was weighed down by soft growth in public sector wages, which rose 0.4%. It was the weakest quarterly rise since the series began in 1997. Annual growth stepped down from 2.5% to 2.4%.

Private sector wages grew 0.5% in March quarter, a similar pace of growth to the December quarter 2018. On an annual basis, private sector wages picked up from 2.3% in the December quarter to 2.4% in the March quarter. While it remains a soft pace of growth, it was the strongest annual pace since late 2014, and up from a recent low of 1.8% in the June quarter 2017.

### **By Industry**

Wage growth eased in industries which have faced the largest job losses over the past year. These industries included manufacturing (wage growth slowing from an annual pace of 2.2% in the December quarter to 2.0% in the March quarter), construction (from 1.9% to 1.8%) and retail (from 2.0% to 1.9%).

There were however, industries with a noticeable pick up in wage growth. These included mining (from 1.8% to 2.3%), boosted by a recovery in commodity prices. Wage growth in the mining sector has edged higher after a low of 0.6% annual growth in the March quarter 2017. Growth was the strongest since the March quarter 2015. Professional, scientific & technical services also saw wage growth pick up from 2.1% to 2.5%, where job growth has been especially firm. It was the strongest annual pace in nearly six years. Wage growth in healthcare and social assistance picked up from 2.8% to 3.0%, the strongest growth of all sectors.

### **By State**

There were soft outcomes across all States and territories. Wages growth in NSW, Victoria, Tasmania, the Northern Territory and the ACT stood at 0.5% in the March quarter. The remaining States (QLD, South Australia and Western Australia) saw wages grow at 0.3% in the March quarter. On an annual basis, wages growth was strongest in Victoria (2.6%), while growth in all other States was relatively weak. Growth ranged from 2.1% to 2.4% in Tasmania (2.4%), Northern Territory (2.4%), NSW (2.3%), Queensland (2.3%), South Australia (2.1%) and the ACT (2.1%). The weakest growth in wages was in Western Australia (1.6%).

### **Implications for the RBA**

Wage growth remains subdued, despite lifting off its lows. While there is evidence of a gradual pickup in the private sector and industries such as healthcare and within the services sector, there are other areas of weakness which are keeping a lid on wage growth.

As a trend, the unemployment rate has held steady at 5.0% over the past five months. However,

the softer pace of economic growth is expected to result in a moderation in labour market conditions. Given this outlook, it would seem unlikely for wage growth to pick up substantially. With underlying inflation holding below the RBA's 2 to 3 percent target band for over three years, it further suggests inflation will remain low for some time.

**Janu Chan, Senior Economist**  
**Ph: (02) 8253 0898**

## Contact Listing

### Chief Economist

Besa Deda

[dedab@bankofmelbourne.com.au](mailto:dedab@bankofmelbourne.com.au)

(02) 8254 3251

### Senior Economist

Janu Chan

[chanj@bankofmelbourne.com.au](mailto:chanj@bankofmelbourne.com.au)

(02) 8253 0898

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