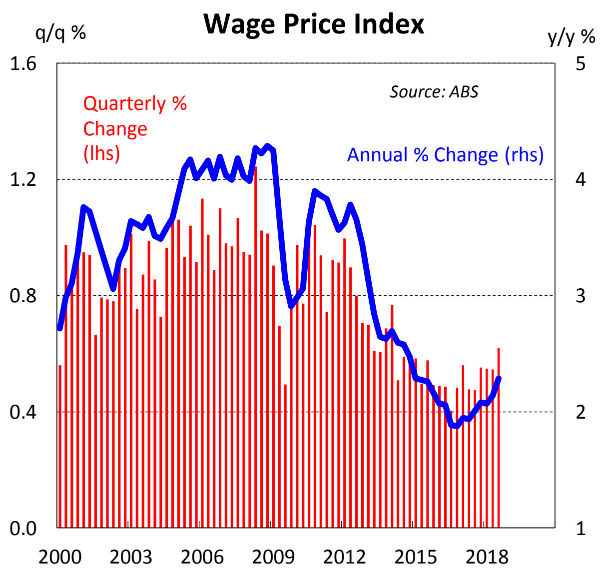
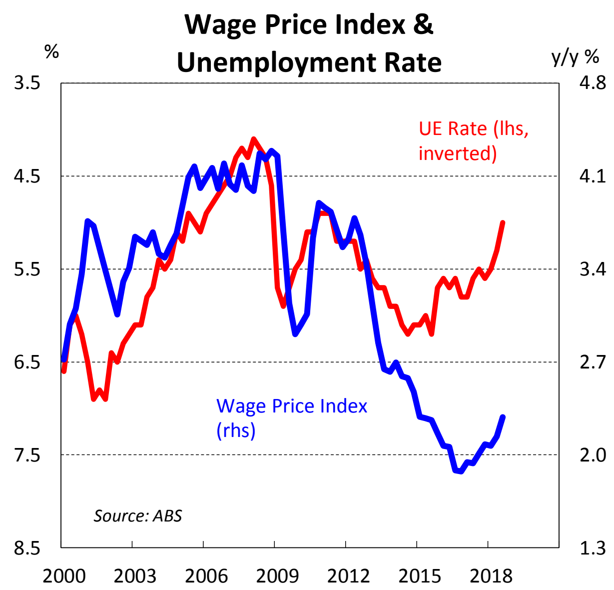
Wage Price Index

Slow Progress

- **The wage price index rose by 0.6% in the September quarter, which was in line with both our own and consensus expectations. This followed an increase of 0.5% in the June quarter.**
- **The annual rate of wage growth rose to three-year high of 2.3% in the September quarter, up from 2.1% in the June quarter.**
- **Real wages growth, taking into account inflation, also lifted slightly in the September quarter. Annual wages growth increased to 2.3%, from 2.1% in the June quarter. Meanwhile annual headline inflation fell to 1.9% in the September quarter, from 2.1% in the June quarter.**
- **Despite the small lift in the annual pace of wages growth, wages growth remains low. Taken together with high household debt and the slowdown in the housing market, slow wages growth suggests consumers are likely to remain reticent about spending. Ongoing slow wages growth and low inflation leave us comfortable with our expectation that the RBA will leave rates on hold for some time.**
- **In other data today, Westpac-MI consumer sentiment rose 2.8% in November. The index remained above 100, where it has been for the past 12 months, signalling more consumers are optimistic than pessimistic.**





The wage price index rose by 0.6% in the September quarter, which was in line with both our own and consensus expectations. This followed a downwardly revised increase of 0.5% in the June quarter (previously reported as a 0.6% increase).

The annual rate of wage growth rose to 2.3% in the September quarter, up from 2.1% in the June quarter. The annual pace of wages growth was the highest in three years.

For the quarter, the pace of public sector wages growth remained stronger than the private sector at 0.6% for the fourth consecutive quarter. Private sector wages growth rose by 0.5% in the September quarter, an unchanged pace of growth from the June quarter.

In annual terms, public sector wages growth continued to outpace that of the private sector. For the year to the September quarter, public sector wages rose 2.5%, its fastest pace since the March quarter 2016. The annual pace of private sector wages growth was steady at 2.1% in the September quarter.

The pace of wages growth lifted in the year to the September quarter. Real wages growth, taking into account inflation, also rose slightly in the September quarter. Annual wages growth increased to 2.3%, from 2.1% in the June quarter. Meanwhile annual headline inflation fell to 1.9% in the September quarter, from 2.1% in the June quarter.

By Industry

Wage growth remained slow across all industries, with annual growth at or below 2.8% in all industries in the September quarter. The strongest sectors for wages growth were healthcare & social assistance (2.8%), education & training (2.7%) and electricity, gas, water & waste services (2.7%).

The weakest annual wages growth was in mining (1.8%) and retail trade (1.8%).

By State

For the year to the September quarter, wages growth was strongest in Victoria and Tasmania (both at 2.5% for the second quarter running), followed by Queensland (2.4%), NSW (2.3%), South Australia and the ACT (both at 2.2%), the Northern Territory (1.7%) and Western Australia (1.6%).

Implications for the RBA

Despite the small lift in the annual pace of wages growth, wages growth remains low. Taken together with high household debt and the slowdown in the housing market, slow wages growth suggests consumers are likely to remain reticent about spending. Underlying inflation remains below the RBA’s 2-3 percent per annum target band, at 1.7%. A lift in wages growth is needed before underlying inflation can move sustainably into the middle of the RBA’s target band. Ongoing slow wages growth and low inflation leave us comfortable with our expectation that the RBA will leave rates on hold for some time.

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