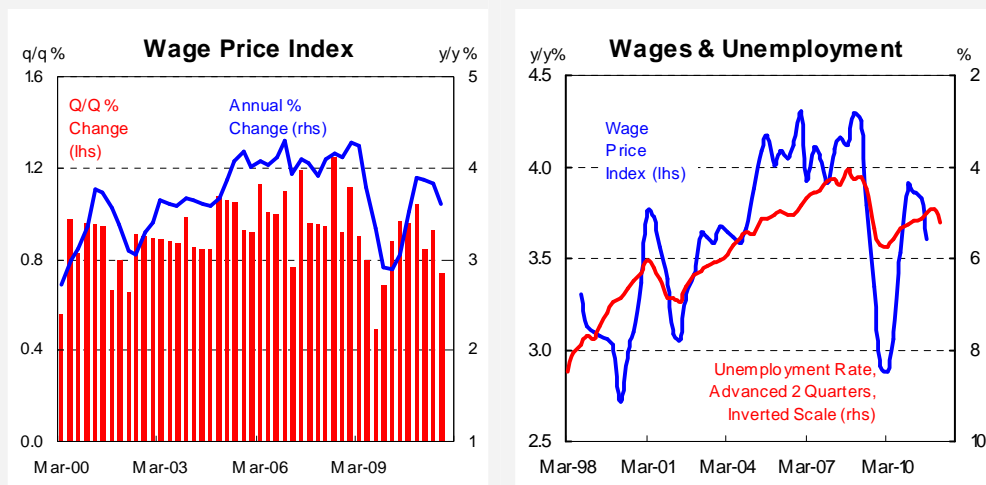


# DATA SNAPSHOT

## Wage Price Index: Wage Pressures Lessen

Wednesday, 16 November 2011

- Growth in the wage cost index was below expectations in the September quarter, rising by 0.7%. The September quarter data includes the effect of the increase in award wages in July. The annual rate edged down to 3.6%, from 3.8% previously, so it is further below the RBA's unofficial 'line in the sand' of 4.5%.
- By industry, strong wage growth above 4.5% was not seen in any of the eighteen industries, suggesting wage pressures are fairly contained.
- Public sector wages rose by a soft 0.5%. This was the smallest increase in public sector wages growth since March 2000.
- The RBA has recently expressed concern about poor productivity growth in Australia. While wages growth could become a concern if productivity growth does not show an improvement, today's moderation in wages growth should give the RBA some comfort.



The wage cost index rose by 0.7% over the September quarter, which was below consensus expectations, following a 0.9% increase in the previous quarter. Over the year to the September quarter wages rose by 3.6%, easing from 3.8% in the year to the June quarter.

Growth in private sector wages accelerated to 0.9% in the September quarter, from 0.8% previously. The annual rate for private sector wages, however, eased to 3.7% (from 3.9%), as a large increase from the September 2010 quarter dropped out of the annual rate. Public sector wages growth slipped to a soft 0.5%, following five quarters of solid growth. This was the smallest increase in public sector wages growth since March 2000 and saw the annual rate ease to 3.3% in the September quarter, from 3.7% in the June quarter.

Annual wages growth remains under the unofficial 'line in the sand' rate of 4.5% per annum. Growth at or above this rate is traditionally seen as uncomfortable wages growth. With strong wage growth above 4.5% not seen in any of the eighteen industries, the data suggests that wage pressures are fairly contained.

In original terms, the strongest annual wages growth was in 'other services' (4.5%), followed by wholesale trade (4.4%, down from 4.7% in the previous quarter) and the mining industry (4.2%). For the quarter, the largest increases in wages growth were in 'other services' and accommodation and food, which both saw quarterly increases of 2.2% while the slowest quarterly growth was seen in the mining industry (0.5%).

By State, the quarterly growth in wages in original terms, was strongest in WA and Queensland (both at 1.5%) in the September quarter. While this was not evident in the mining sector (which saw a low 0.5% increase in wages), it still likely showing the impact of the resources boom in these states. Overall, state growth was much stronger growth than seen in the previous quarter, when Victoria led the charge with a 0.7% increase.

Today's data suggests wage inflation is contained for now, coming close on the heels of an improvement in the CPI inflation data. The unemployment rate was at 5.2% in October up from 4.9% six months earlier, indicating while the labour market remains fairly tight, the risk of significant upward pressure on wages has eased.

In the minutes released yesterday, the RBA noted the outlook for inflation was "conditional on aggregate wages growth remaining at around its current pace and a pick-up in productivity growth." While wages growth could become a concern if productivity growth does not show an improvement, today's moderation in wages growth should give the RBA some comfort.

Jo Heffernan, Senior Economist  
Ph: (02) 9320-5751

## BankSA Contact Listing

---

### Economics & Strategy:

Chief Economist	Besa Deda	<a href="mailto:dedab@stgeorge.com.au">dedab@stgeorge.com.au</a>	(02) 9320 5854
Senior Economist	Josephine Heffernan	<a href="mailto:heffernanj@stgeorge.com.au">heffernanj@stgeorge.com.au</a>	(02) 9320 5751
Economist	Janu Chan	<a href="mailto:chanj@stgeorge.com.au">chanj@stgeorge.com.au</a>	(02) 9320 5892
State Manager SA	Mark Goldsmith	<a href="mailto:goldsmithm@banksa.com.au">goldsmithm@banksa.com.au</a>	(08) 8424 5597

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the Information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.