

Wage Price Index (WPI), December quarter (Q4) 2017

The ABS Wage Price Index in the December quarter (Q4) of 2017 (for total hourly rates of pay excluding bonuses) grew by 0.6% q/q and +2.1% p.a. This was a slight acceleration from 2.0% p.a. in the previous quarter.

Wage growth in Q4 2017 continued to be strongest in the public sector and in services industries dominated by the public sector (such as healthcare, public administration and education). Public sector wages increased by 0.6% q/q and 2.4% p.a. largely because of strong public-sector health care (0.9% q/q) and education (0.8% q/q) increases, which were driven by a handful of new public sector enterprise agreements.

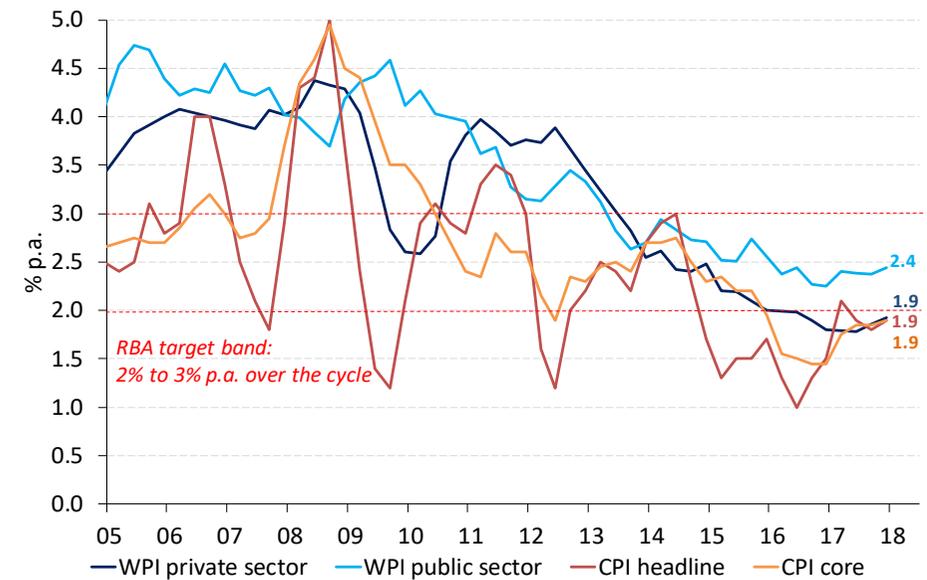
Annual wage growth in the private sector (1.9% p.a.) is tracking in line with headline inflation (1.9% p.a.) and appears to have lifted from its slowest point in this cycle. Ongoing spare capacity in the labour market (unemployment of 5.5% plus underemployment of 8.4%) is likely to keep wage growth slow by historical standards for some time yet, albeit not as slow as the wage growth experienced in 2016 and 2017.

Weak inflation is also holding down wage growth, with core inflation stable at 1.9% p.a. for most of 2017. This ongoing weakness in background inflation means that average wages are still growing in real terms across the public sector and across most large private-sector industries.

Wage growth tends to reflect the strength of labour demand and activity across industries and geographies. Across industries, private sector wage growth was strongest in healthcare (+2.6% p.a.), followed by arts & recreation (2.5% p.a.), other services (2.4% p.a.) and manufacturing (2.3% p.a.). Private sector wage growth was weakest in mining (+1.4% p.a.), transport & warehousing (1.6% p.a.), retail (1.6% p.a.) and rental & real estate services (+1.6% p.a.).

Across the states, wage growth was strongest in Victoria (2.4% p.a.), followed by Tasmania (2.2% p.a.) and Queensland (2.2% p.a.). Wage growth was weakest in Western Australia (1.5% p.a.) and the Northern Territory (1.1% p.a.) due to the prevalence of mining jobs in those states. Mining wages are now growing more slowly than in other industries (albeit off a significantly higher base wage).

Chart 1: Inflation, living cost and wage indexes, % change p.a.



Headline wage price index growth rates, Q4 2017

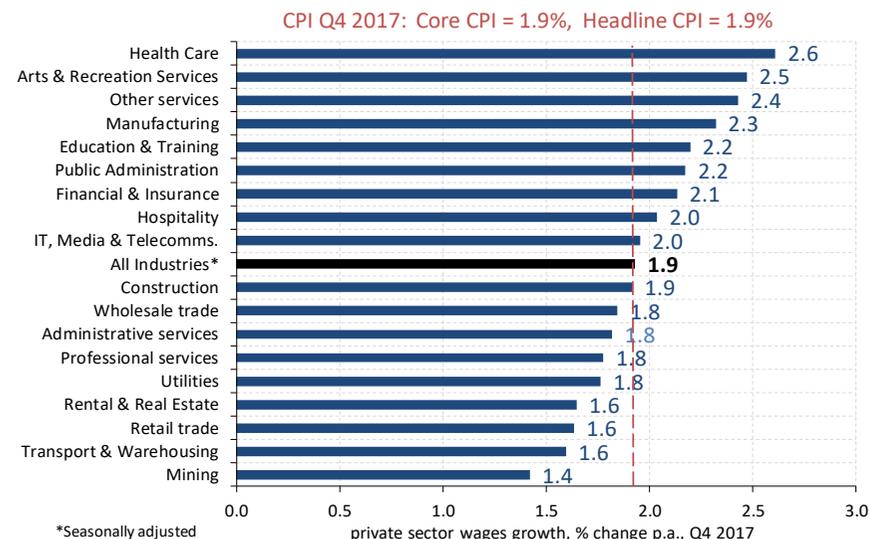
+0.6%
WPI QUARTER GROWTH

+2.1%
WPI ANNUAL GROWTH

Table 1: ABS wage measures by sector, state and industry

	Wage price index (WPI), Q4 2017		Full time adult average weekly ordinary time earnings (AWOTE), Nov 2017
	q/q %	y/y %	\$ per week
Private sector (seas. adj.)	0.5	1.9	1,529.50
Public sector (seas. adj.)	0.6	2.4	1,717.90
All sectors (seas. adj.)	0.6	2.1	1,569.60
Original data (not adjusted)	Private sector		All sectors
New South Wales	0.3	2.0	1,585.90
Victoria	0.6	2.2	1,524.30
Queensland	0.2	1.9	1,527.80
South Australia	0.4	2.1	1,441.50
Western Australia	0.2	1.5	1,742.80
Tasmania	0.2	2.2	1,356.20
Mining	0.3	1.4	2,580.70
Manufacturing	0.5	2.3	1,360.00
Utilities	0.3	1.8	1,822.60
Construction	0.6	1.9	1,558.40
Wholesale trade	0.2	1.8	1,514.70
Retail trade	0.2	1.6	1,142.60
Hospitality	0.2	2.0	1,112.90
Transport & Warehousing	0.4	1.6	1,602.80
IT, Media & Telecomms.	1.0	2.0	1,905.40
Financial & Insurance	0.9	2.1	1,868.50
Rental & Real Estate	0.2	1.6	1,445.10
Professional services	0.4	1.8	1,838.20
Administrative services	0.3	1.8	1,389.00
Public Administration	0.2	2.2	1,633.60
Education & Training	0.5	2.2	1,705.80
Health Care	0.3	2.6	1,523.00
Arts & Recreation Services	0.3	2.5	1,493.00
Other services	0.3	2.4	1,252.10

Chart 2: wage index changes by industry, private sector, % p.a.



What is the WPI and AWOTE?

The ABS publishes two main data series that indicate national wage growth. The quarterly Wages Price Index (WPI) is generally seen to be the timeliest and most reliable indicator of the rate of change in wages across the economy, while the Average Weekly Earnings data (AWE, which is published twice per year) are useful for comparing the absolute level of average earnings across states and across industries. Average Weekly Ordinary Time Earnings (AWOTE) is one of three series produced from the AWE data and excludes overtime. The AWOTE for full-time adult employees data are generally considered the most stable earnings data due to the exclusion of overtime, part-time and junior employees.

The Wage Price Index (WPI) measures changes in the wages and salaries of Australians across the economy. It is calculated using a similar methodology to the Consumer Price Index. The WPI is released each quarter in February, May, August and November. For more information about the WPI please visit the ABS website.

Next WPI release date:
January Quarter (Q1) 2018 is due for release on 16 May 2018.

Next AWOTE release date:
May 2018 half-yearly data is due for release 16 August 2018.