



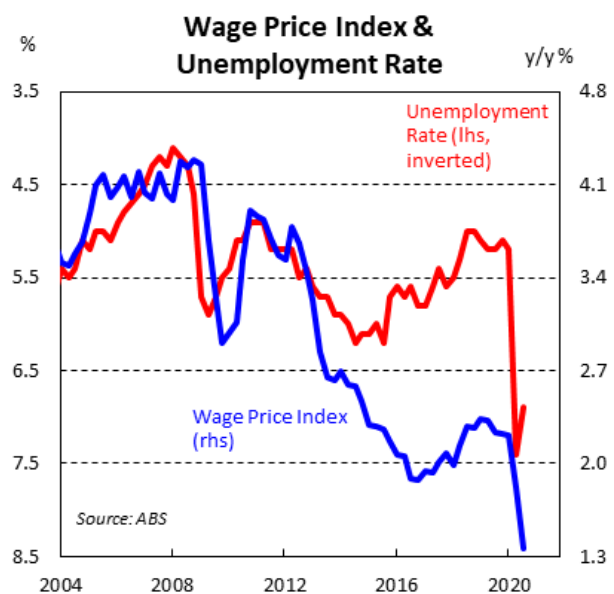
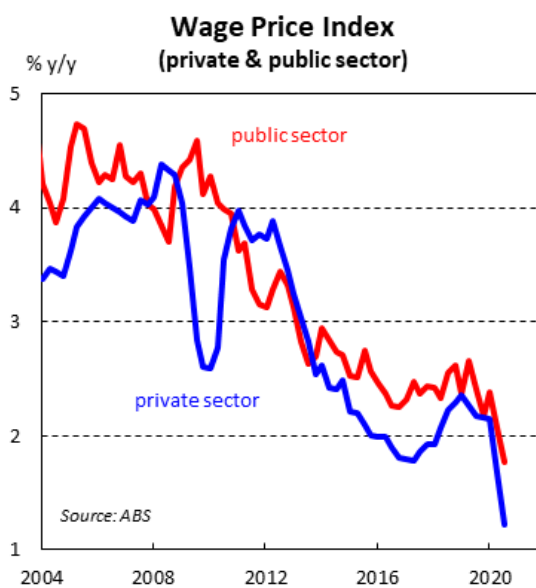
Wednesday, 18 November 2020



## Wage Price Index

### Weakest Wage Growth on Record (Again)

- The easing of lockdown measures in Australia (except Victoria) was not enough to lift the pace of wages growth. Despite weakness in the June quarter, wages growth slowed again in the September quarter, with growth at just 0.1%. This is the slowest pace in the history of the series which dates back to 1997.
- Significant spare capacity in the labour market continued to weigh on wages growth in the September quarter.
- On an annual basis, wages growth slowed from 1.8% in the June quarter to 1.4% in the September quarter, the weakest annual pace since the series started.
- All industries reported some small wage growth in the September quarter, except rental, hiring & real estate (no change) and private administrative & support services (0.3% decline). Healthcare & social assistance, and construction rebounded from their record weakest readings in the June quarter, increasing by 0.8% and 0.7%, respectively.
- For the December quarter, the outlook remains uncertain. On the upside, fiscal and monetary stimulus measures will play an important role in supporting demand, jobs and wages growth. On the downside, considerable slack in the labour market should exert negative pressure on wages.



## **Wages**

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On an annual basis, wages growth slowed to 1.8% in the June quarter to 1.4% in the September quarter, the weakest annual pace since the series started.

Growth remained low in the private sector, recording the same 0.1% increase in September quarter as in the previous quarter. However, wages growth in the public sector edged lower to 0.2%, from a 0.5% increase in the June quarter. The September result for the public sector is the weakest one in the history of the series. Annual wages growth in the private sector remained lower (1.2%) than in the public sector (1.8%) in the September quarter. Both rates are also at historical lows.

### **By industry**

All industries reported some small wage growth in the September quarter, except rental, hiring & real estate (no change) and private administrative & support services (0.3% decline). Healthcare & social assistance, and construction rebounded from their record weakest readings in the June quarter, increasing by 0.8% and 0.7%, respectively.

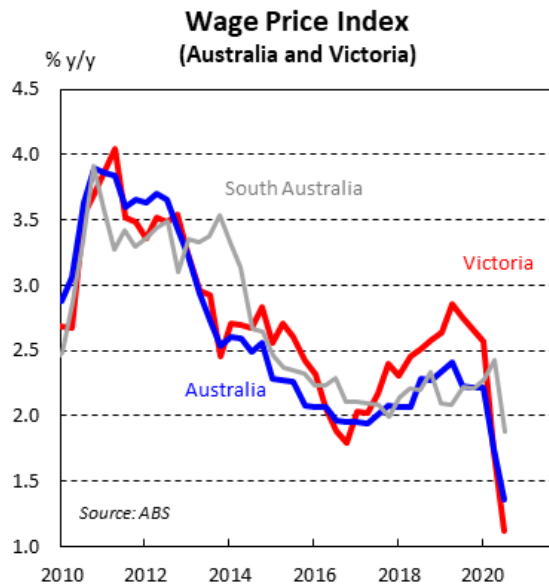
On an annual basis, only three industries out of 18 had wage growth in excess of 2%. The fastest annual growth was in education & training and financial & insurance, each recording a 2.4% increase. They were followed by electricity, gas, water and waste services (2.1%). The weakest annual growth was in private administrative & support services and accommodation, each with 0.5% growth.

### **By State**

As expected, Victoria was the weakest performer in the September quarter. The second wave of COVID-19 infections, that resulted in a State-wide lockdown, has been the underlying cause behind the weakness in wages growth in Victoria. Wages rose a timid 0.1% in the state after a 0.1% fall in the June quarter.

Among other States and territories, performance was similar across the board. The best performer was Queensland with a 0.6% growth in the September quarter. It was followed by NSW, South Australia, Western Australia and the ACT, each with a 0.5% lift. The Northern Territory recorded a 0.4% increase in the quarter.

On an annual basis, wages growth was the weakest in Victoria (1.1%), followed by the ACT, NSW and Western Australia, each with 1.4% growth. The strongest annual growth was in South Australia (1.9%), followed by Tasmania and the Northern Territory, each with 1.7%.



## Outlook

The September quarter wage outcomes strongly suggest the pandemic has negatively affected the main source of income for most Australians.

For the December quarter, the outlook remains uncertain.

On the upside, a series of economic support measures were announced in October and November, including:

- The Reserve Bank (RBA) has expanded its monetary stimulus.
- The 2020-21 Federal Budget delivered several fiscal measures to stimulate job creation, strengthen businesses balance sheets and promote demand growth.
- State budgets released in November revealed substantial investments in infrastructure and other areas under their responsibility, such as education and health. Victoria's budget will be released on November 24.
- Victoria has managed to control infection rates and eased lockdown restrictions.
- Business and consumer confidence have improved. This is encouraging as monetary and fiscal stimulus tends to be more effective when businesses and consumers are optimistic.

On the downside, there is still significant slack in the labour market as indicated by yesterday's payrolls and wages data.

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