

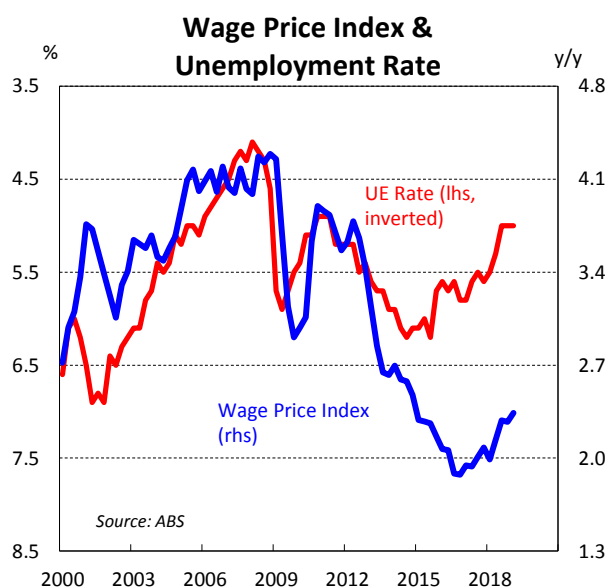
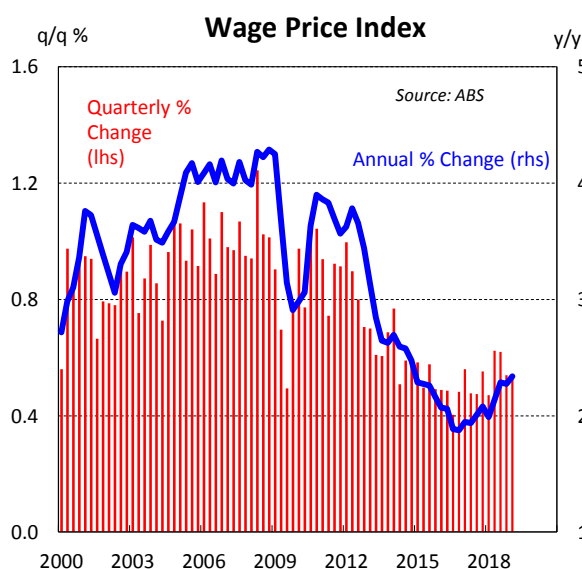
Wednesday, 15 May 2019



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	Senior Economist
Besa Deda dedab@stgeorge.com.au (02) 8254 3251	Janu Chan chanj@stgeorge.com.au (02) 8253 0898

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 St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George's agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George 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 St.George products and details are available. St.George 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. St.George owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George.

Any unauthorised use or dissemination is prohibited. Neither St.George Bank - A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.