ABS Wage Cost Index Chart Pack

Analysis prepared by Westpac Economics

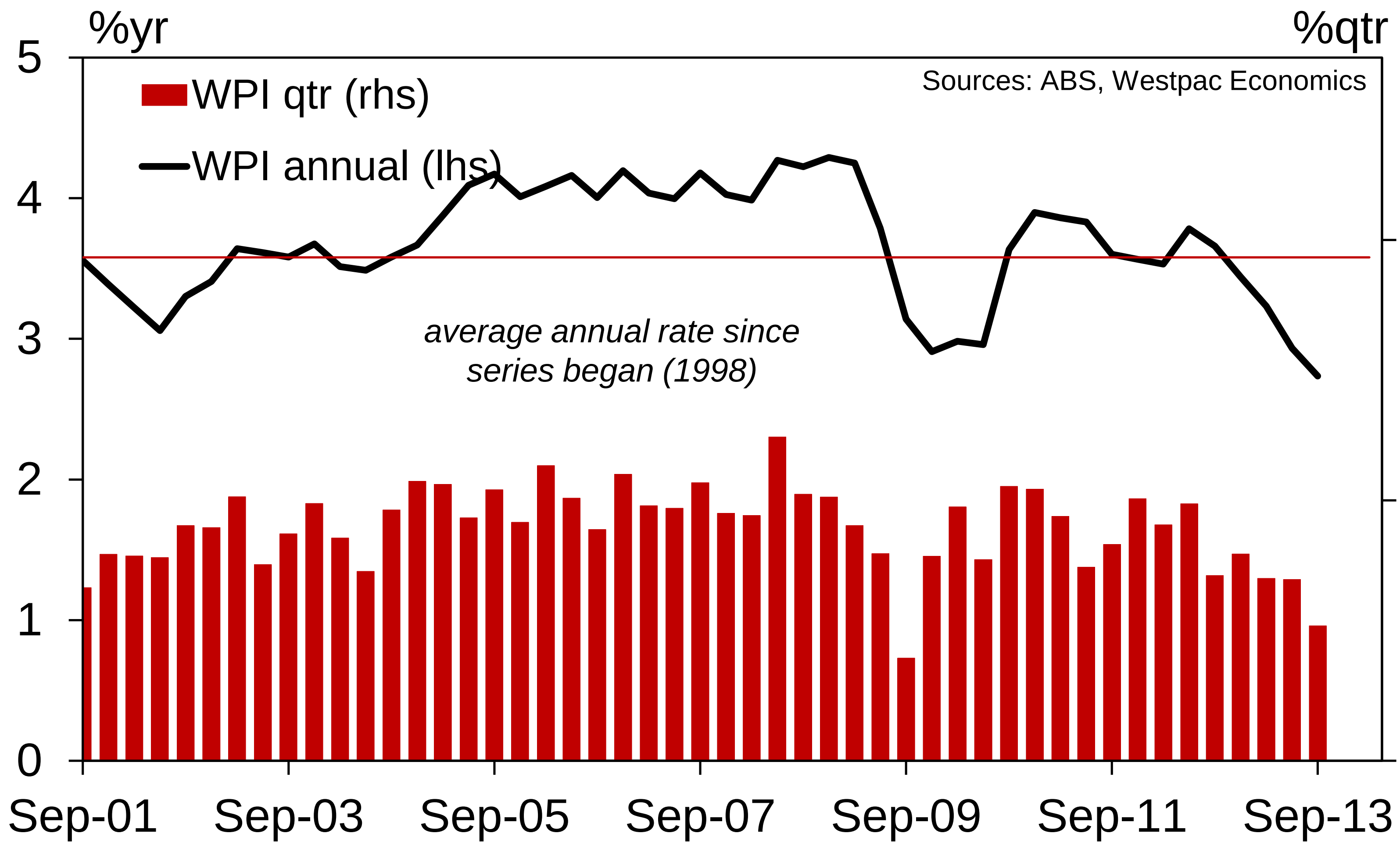
November 2013

Westpac

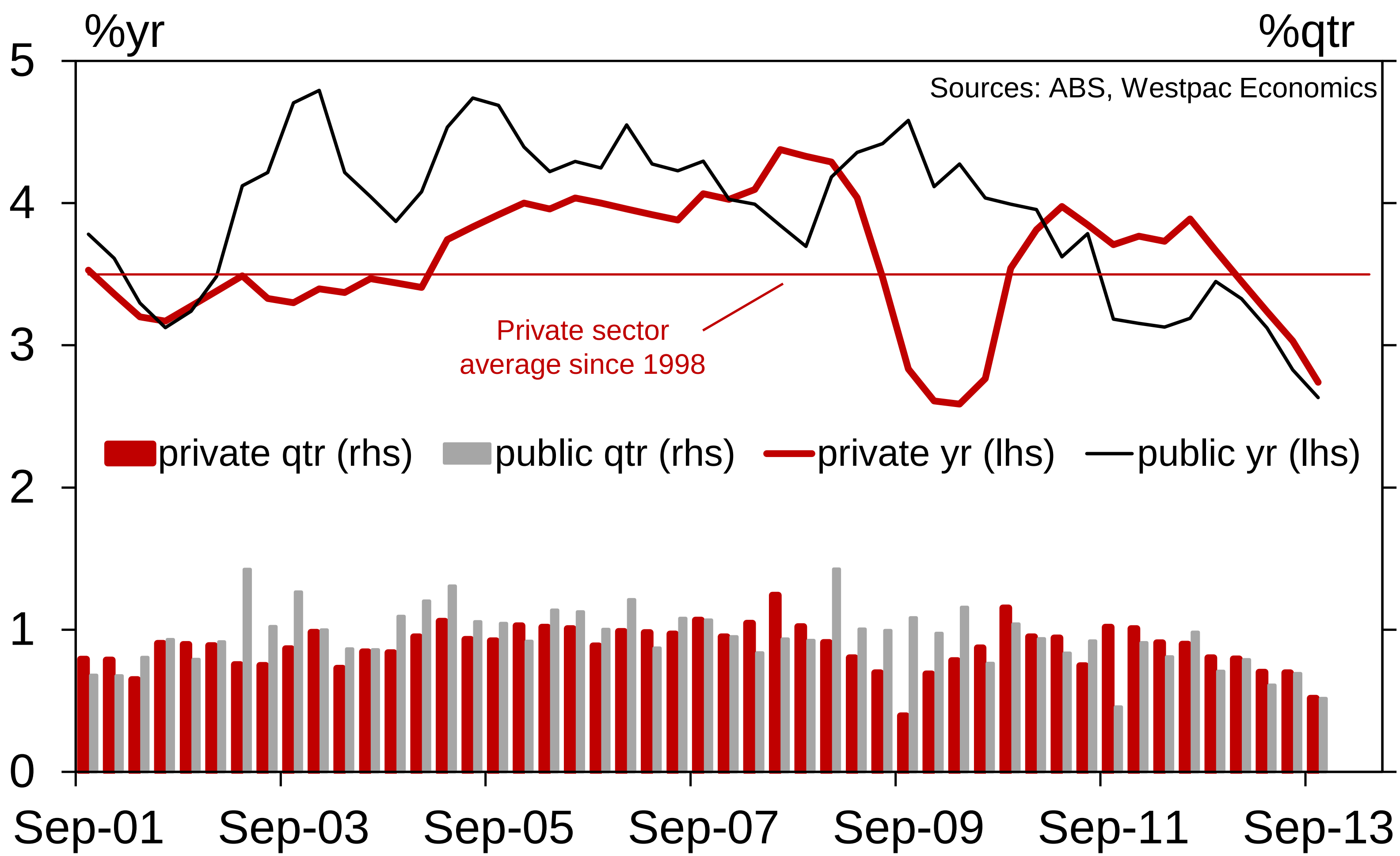
ABS Wage Cost Index

Overview charts national & state totals

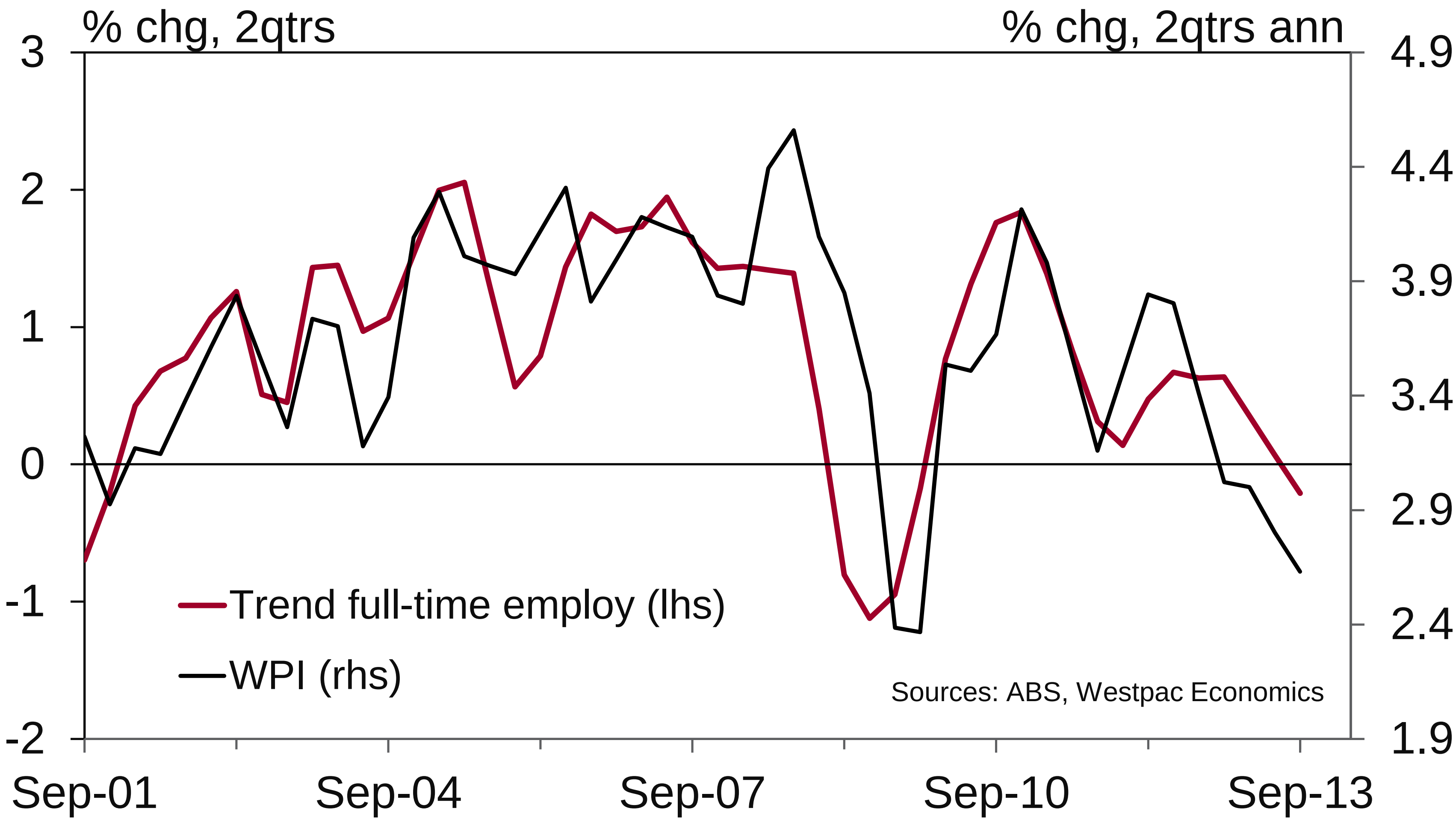
Wage inflation continues to moderate



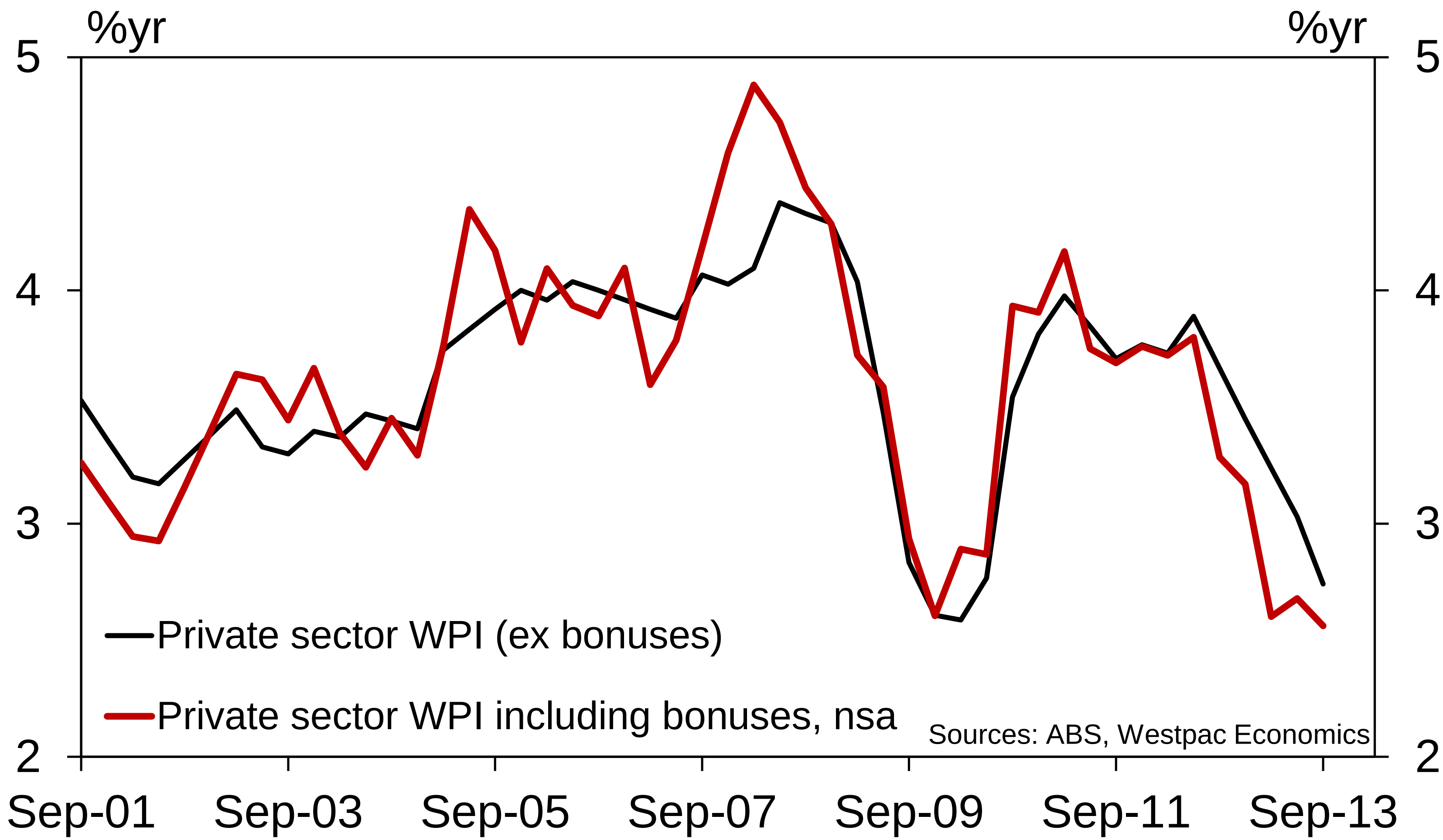
Private vs. public sector wages



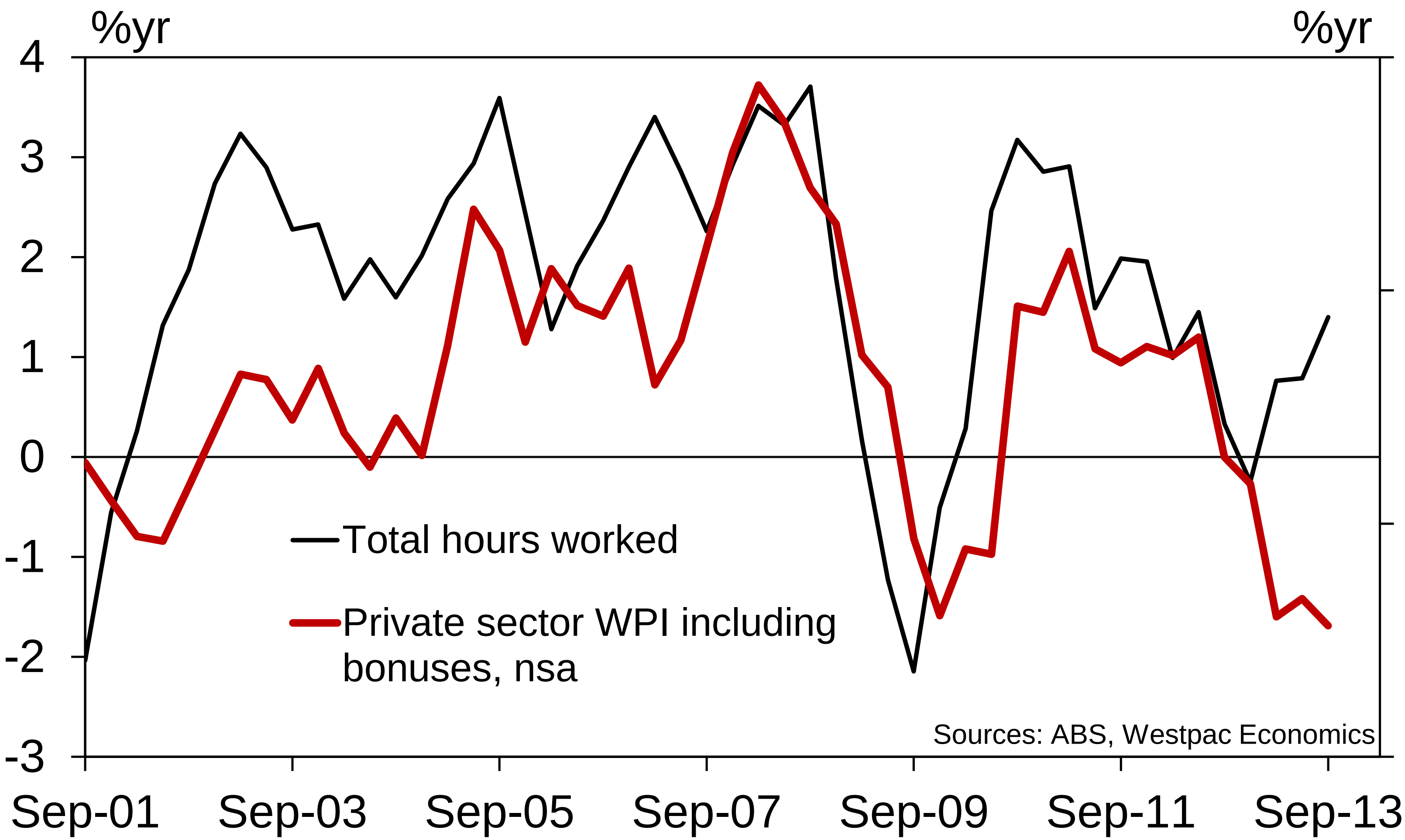
Soft labour market, wage pressures ease



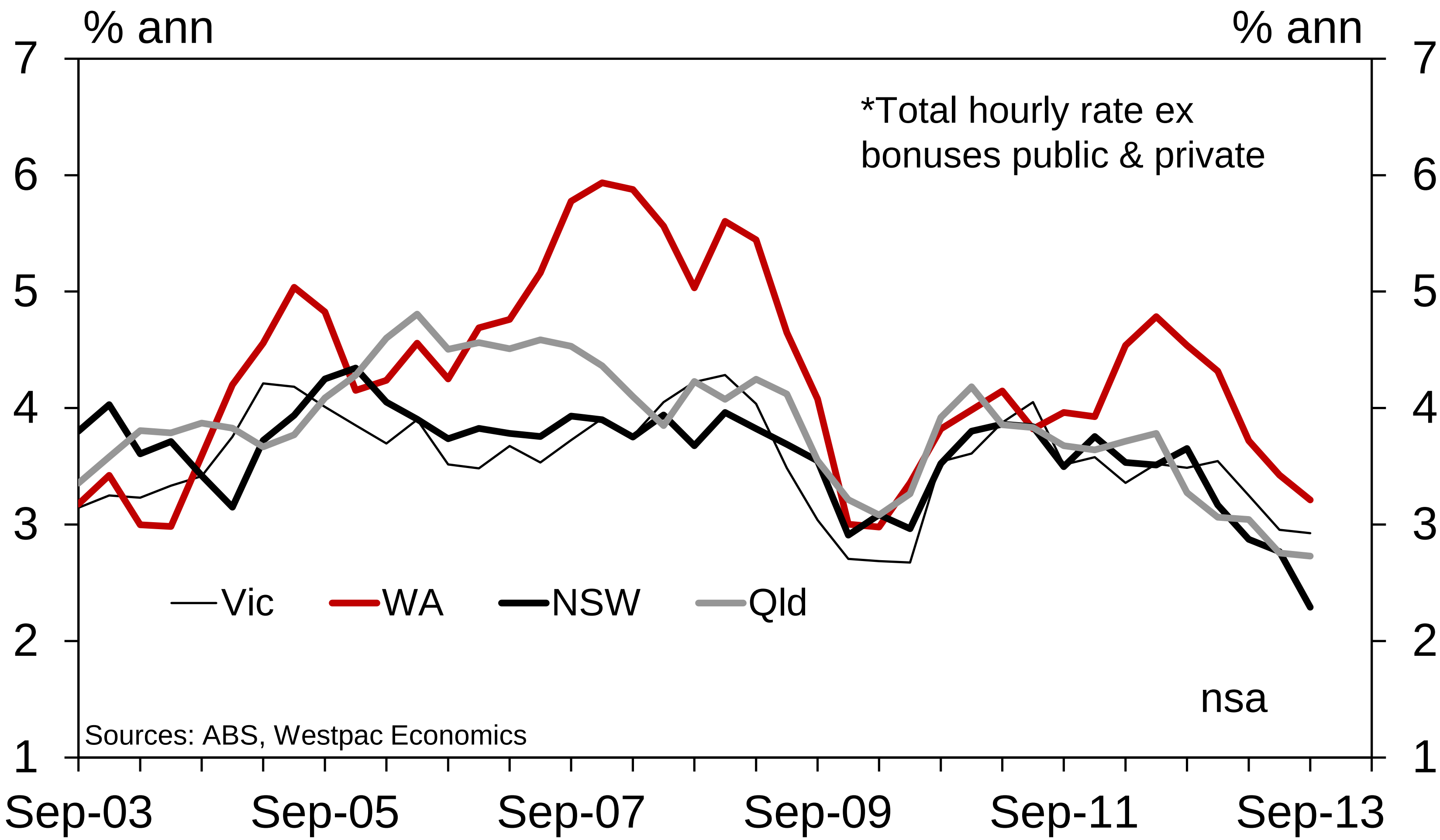
Including bonuses, wage inflation very modest



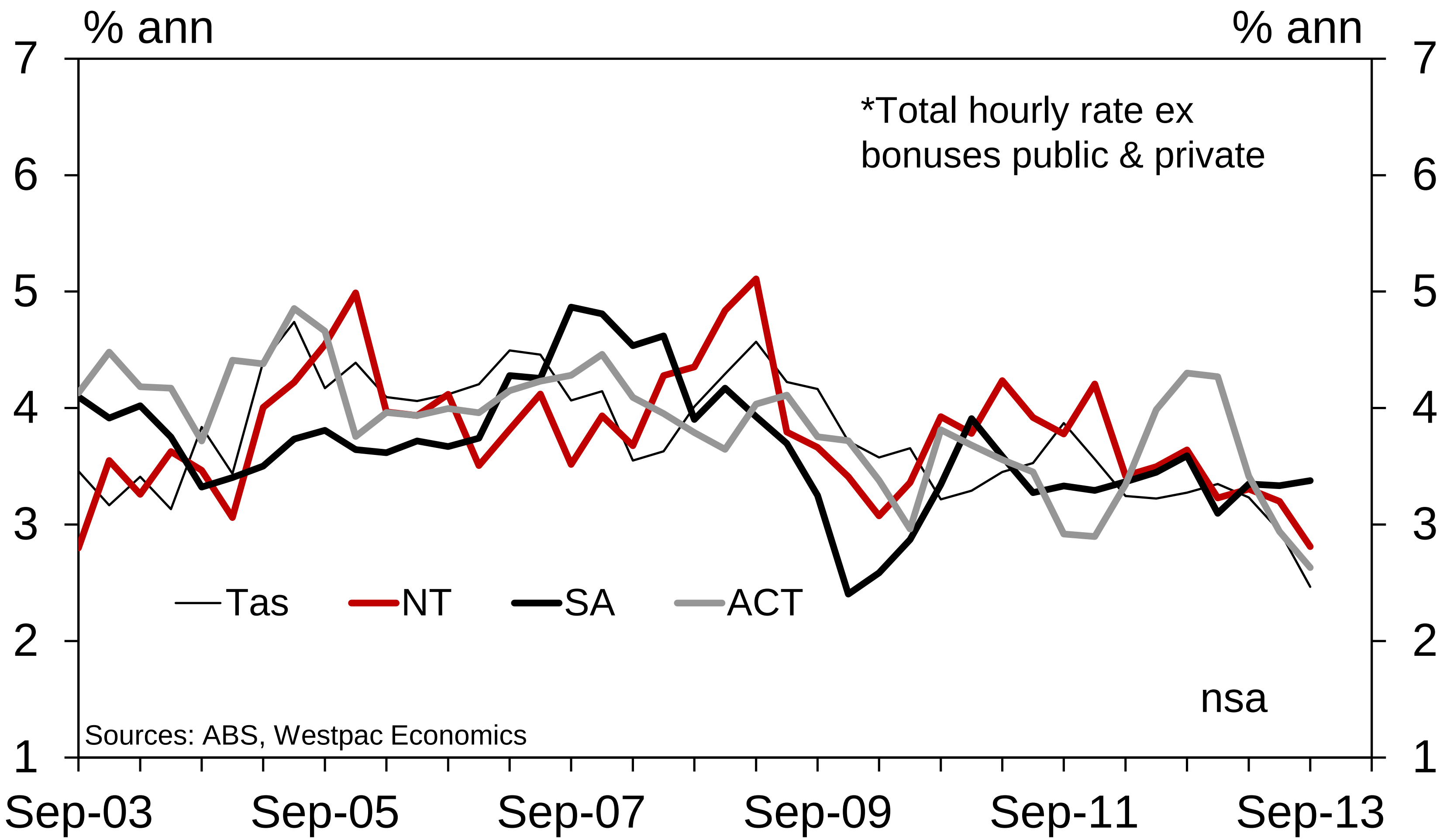
Hours have lifted but compensation has not



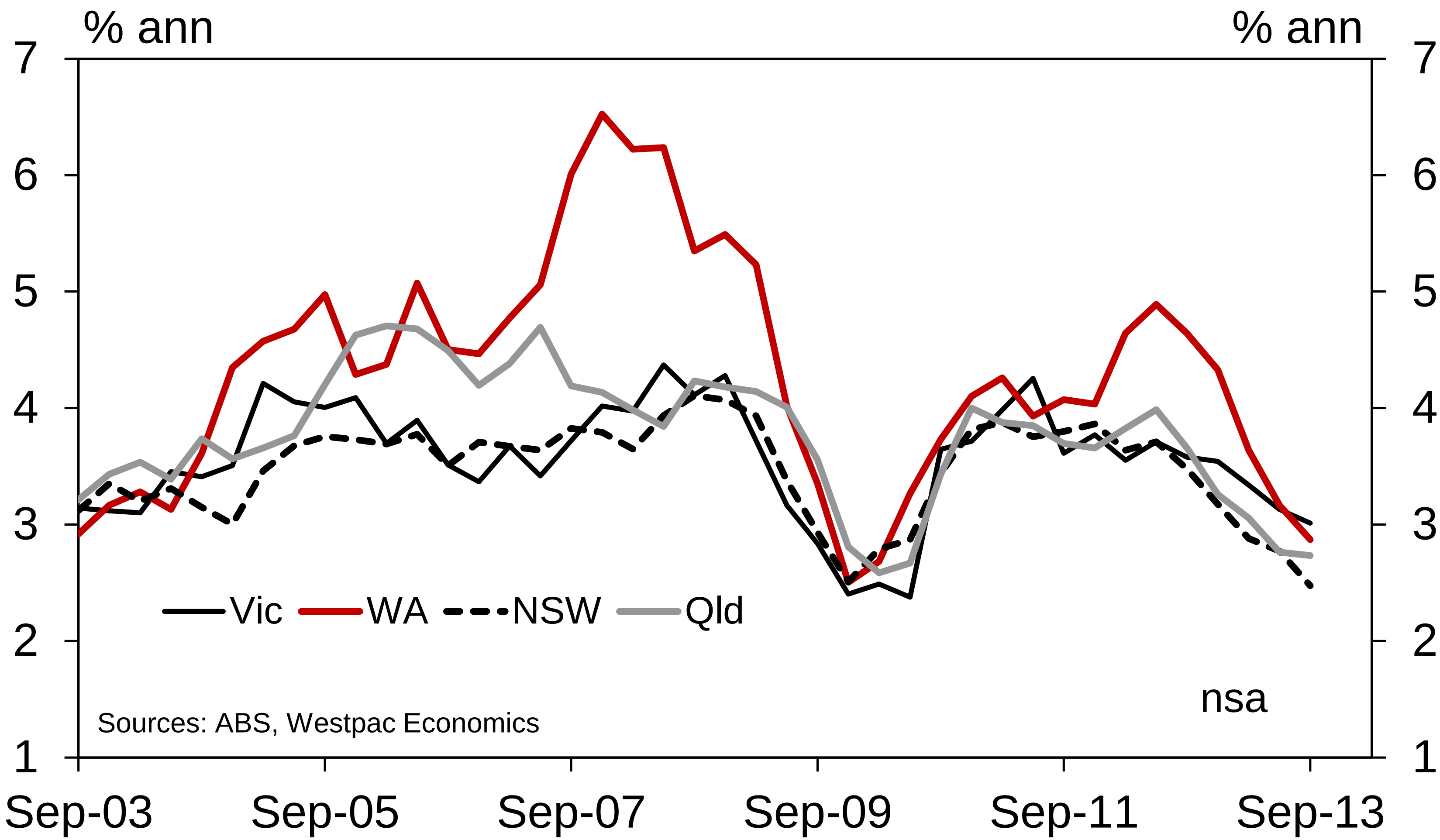
WPI* WA is trending down to national ave.



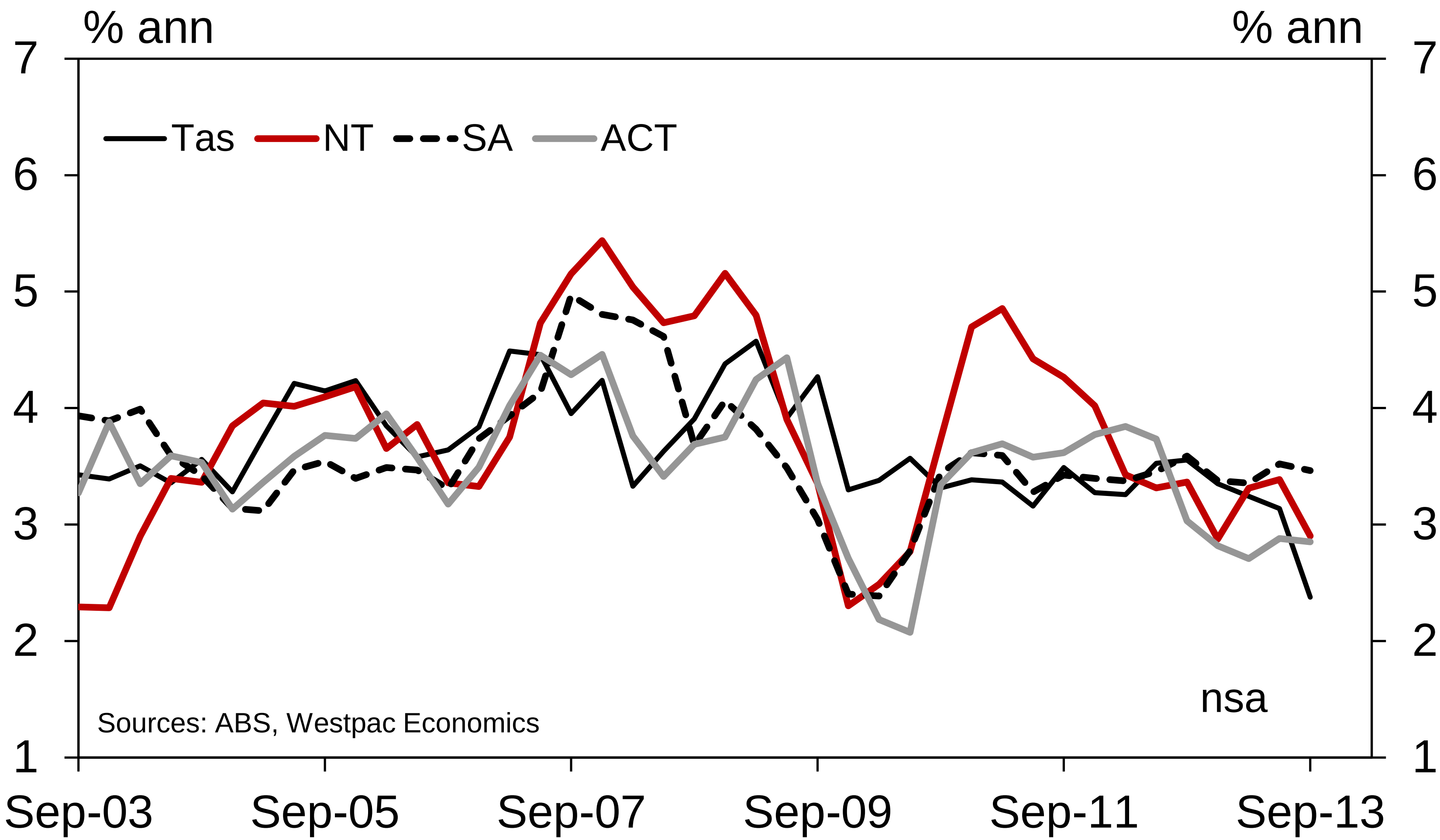
WPI* SA now has fastest wage growth



Private WPI; WA is now below Victoria



Private WPI; Wage inflation is very stable in SA

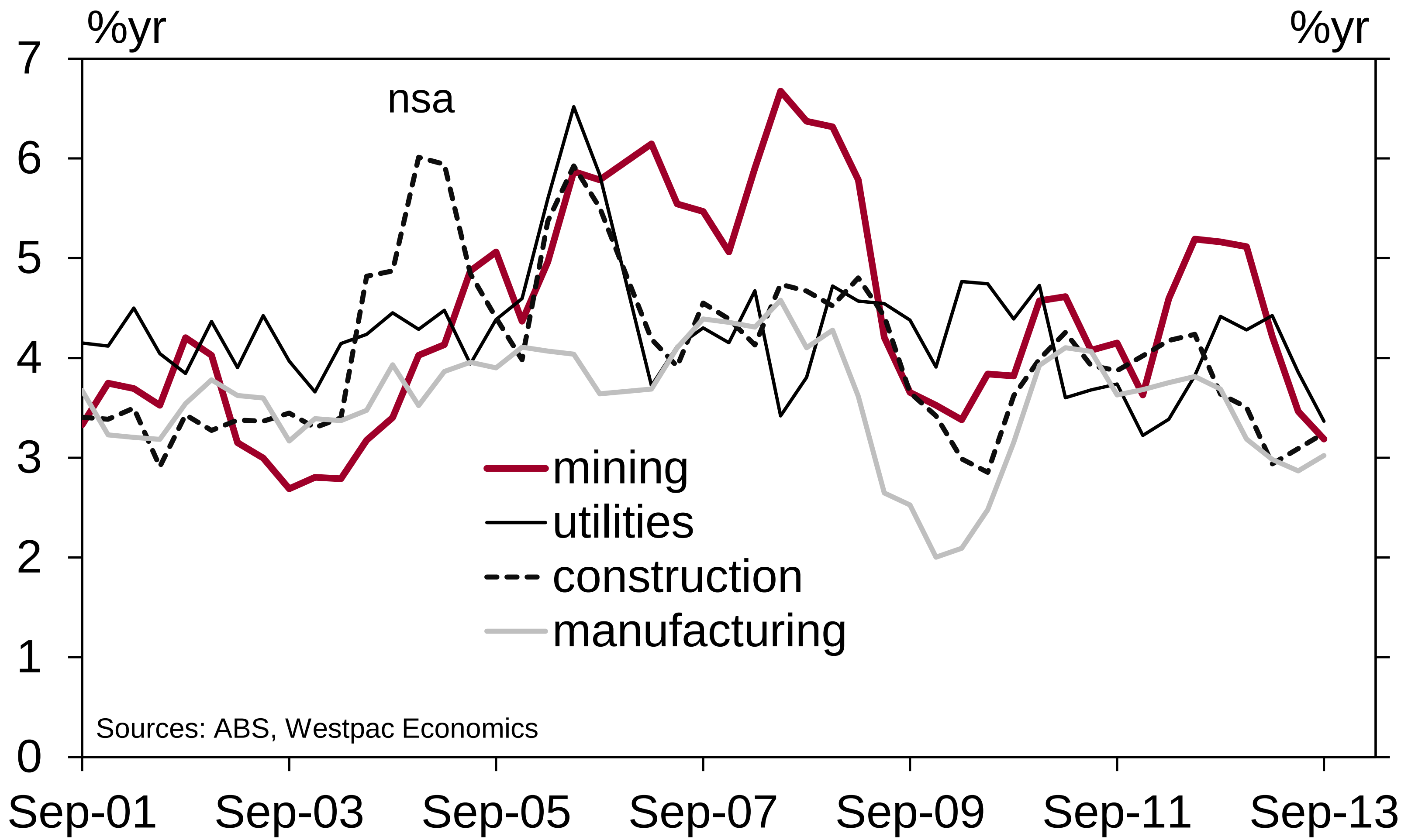


ABS Wage Cost Index
Industries at a national level

- **No industry's wages are growing faster than 3.4%yr**
- **The four industries with the fastest growing hourly wage rates are; utilities (3.36%yr), construction (3.25%yr), mining (3.19%yr) and manufacturing (3.02%yr).**
- **The four industries with the slowest growing wage rates are; professional, scientific & technical (1.91%yr), accommodation & food services (2.33%yr), education (2.36%yr) and arts & recreational services (2.40%yr).**
- **The rest are clustering at or below 3%yr and just above 2.4%yr.**
- **Finance & insurance (2.74%yr), health care (2.82%yr) and wholesale trade (2.44%yr) are now growing slower than retail (2.98%yr).**

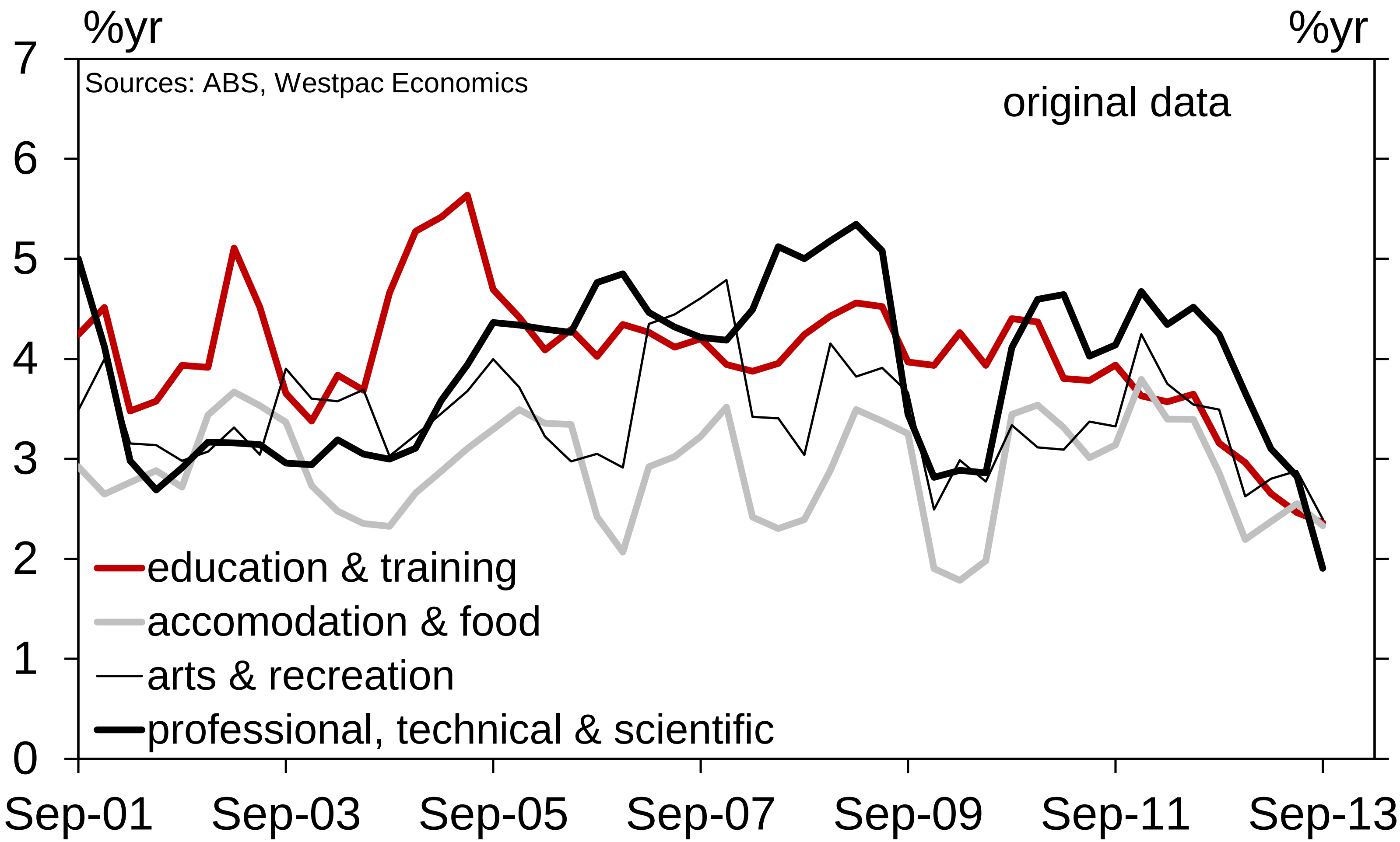
Industries with strongest WPI growth

Converging on 3.25%yr or less.



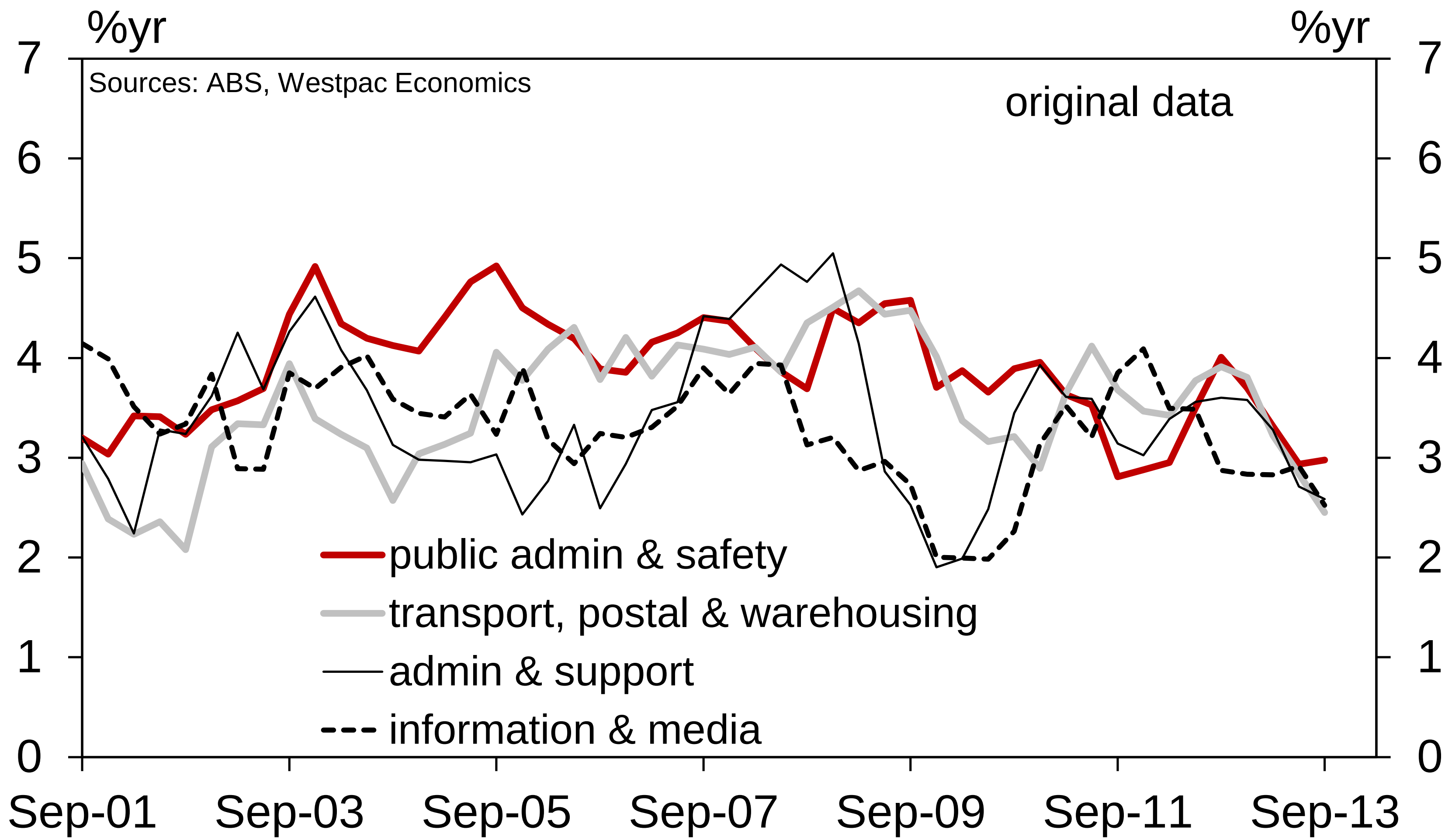
Industries with softest WPI growth sub 2.5%yr

Converging on 2%yr, most now lower than post GFC wash out



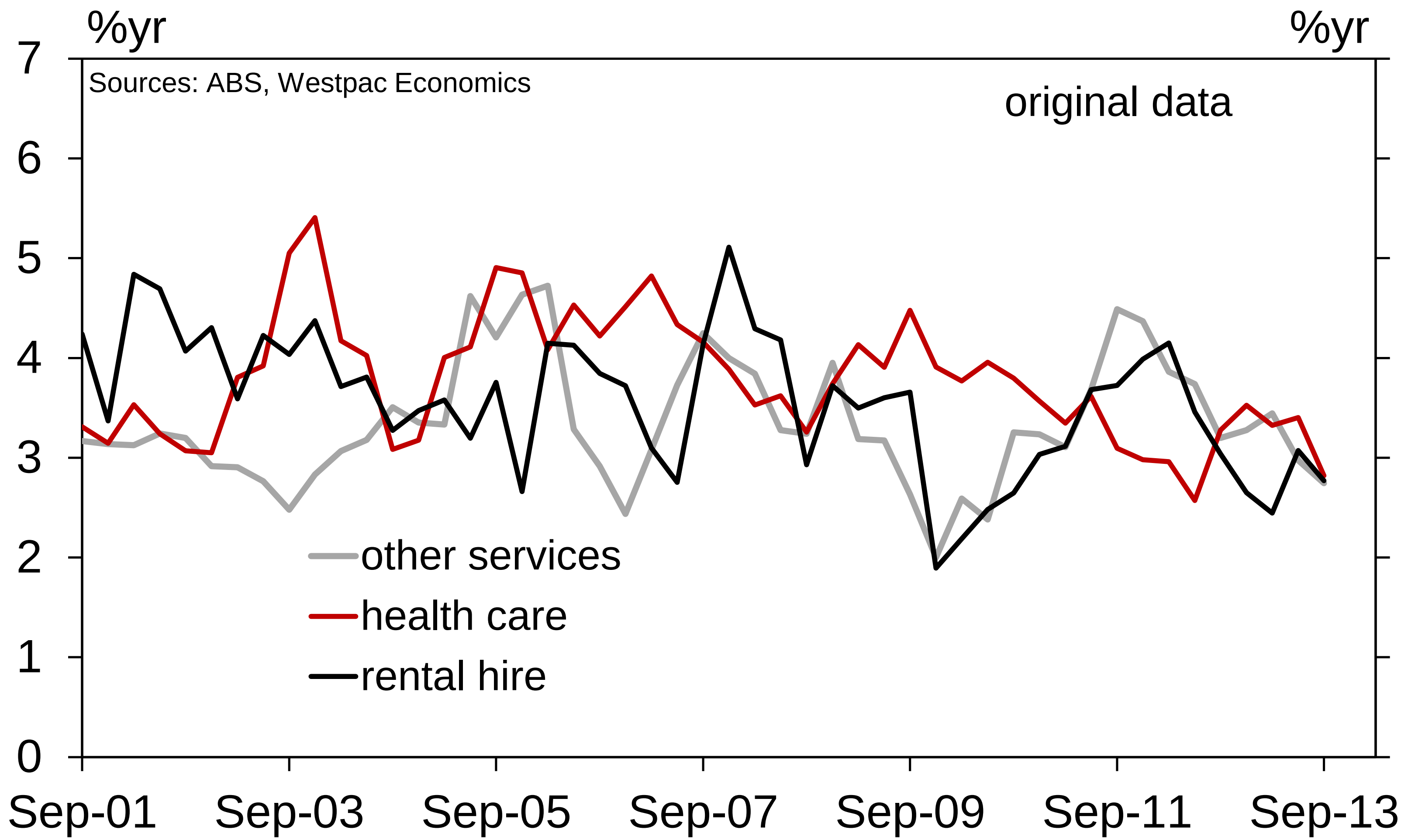
Industries with soft WPI growth, below 3%

Most are now growing at less than a 2.75%yr pace.



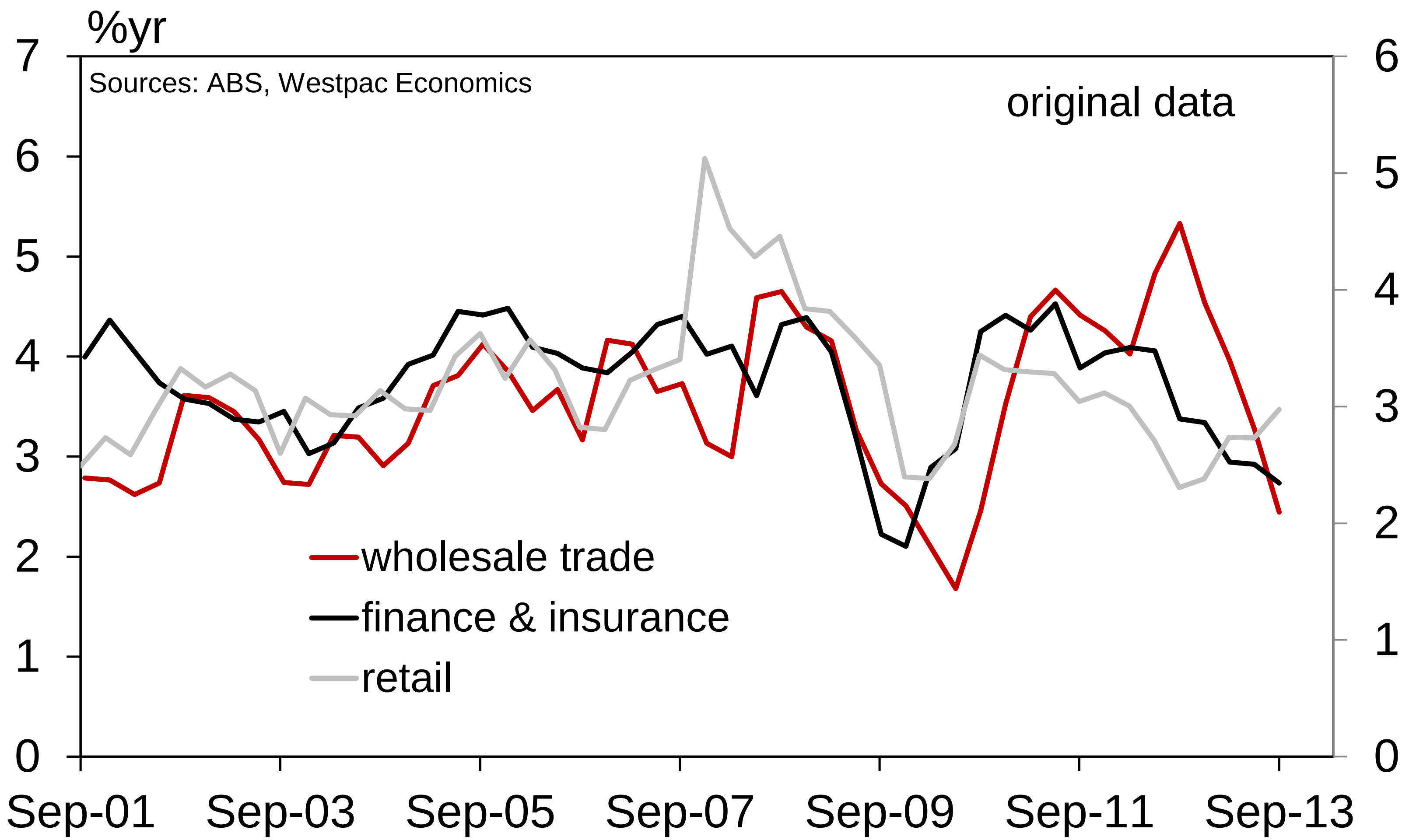
Industries with soft WPI growth, below 3%

A coordinated downturn below 3%yr is very unusual for this group.



Industries with soft WPI growth, below 3%

Retail is revealing a rare outperformance for this group

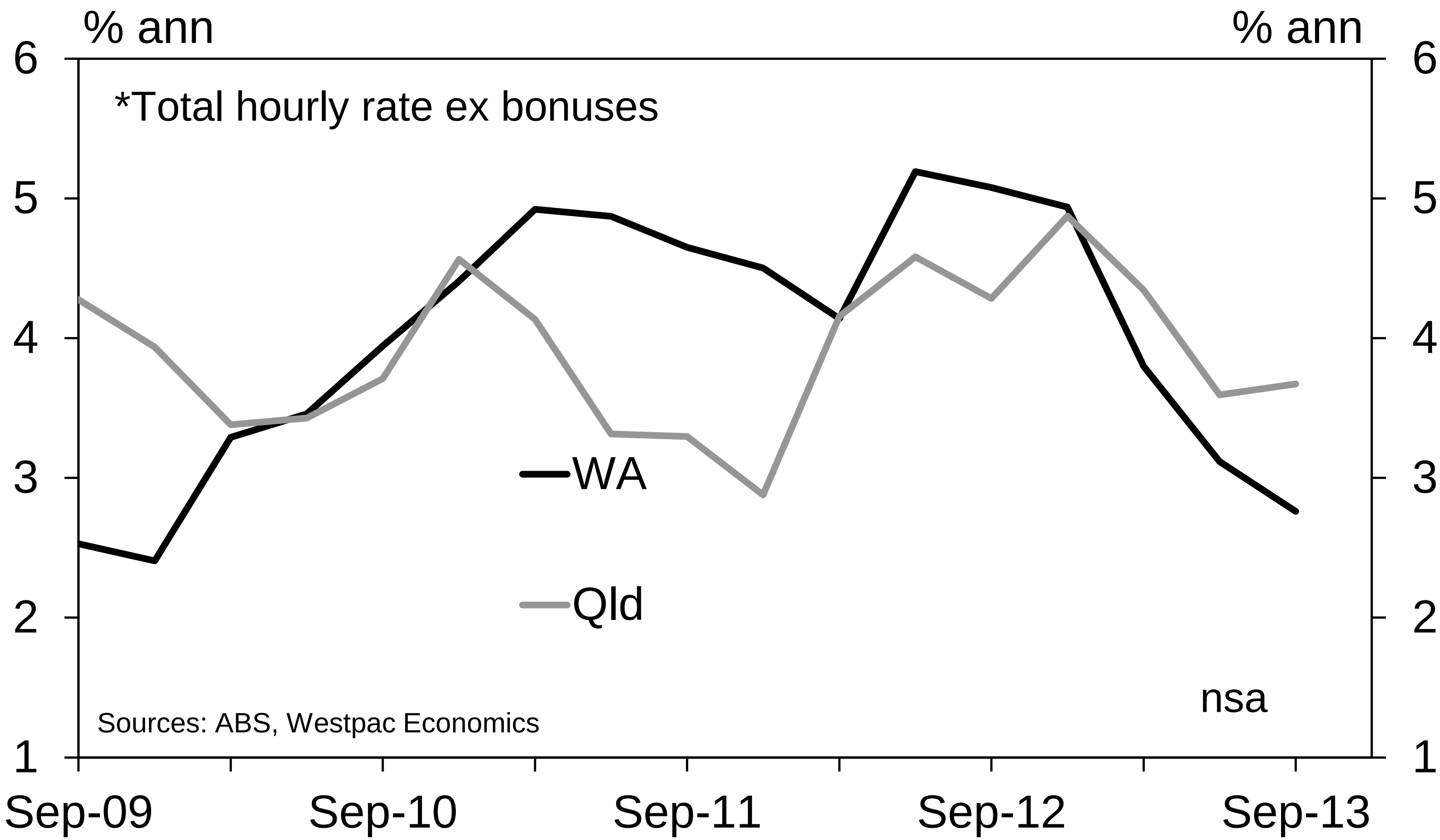


ABS Wage Cost Index

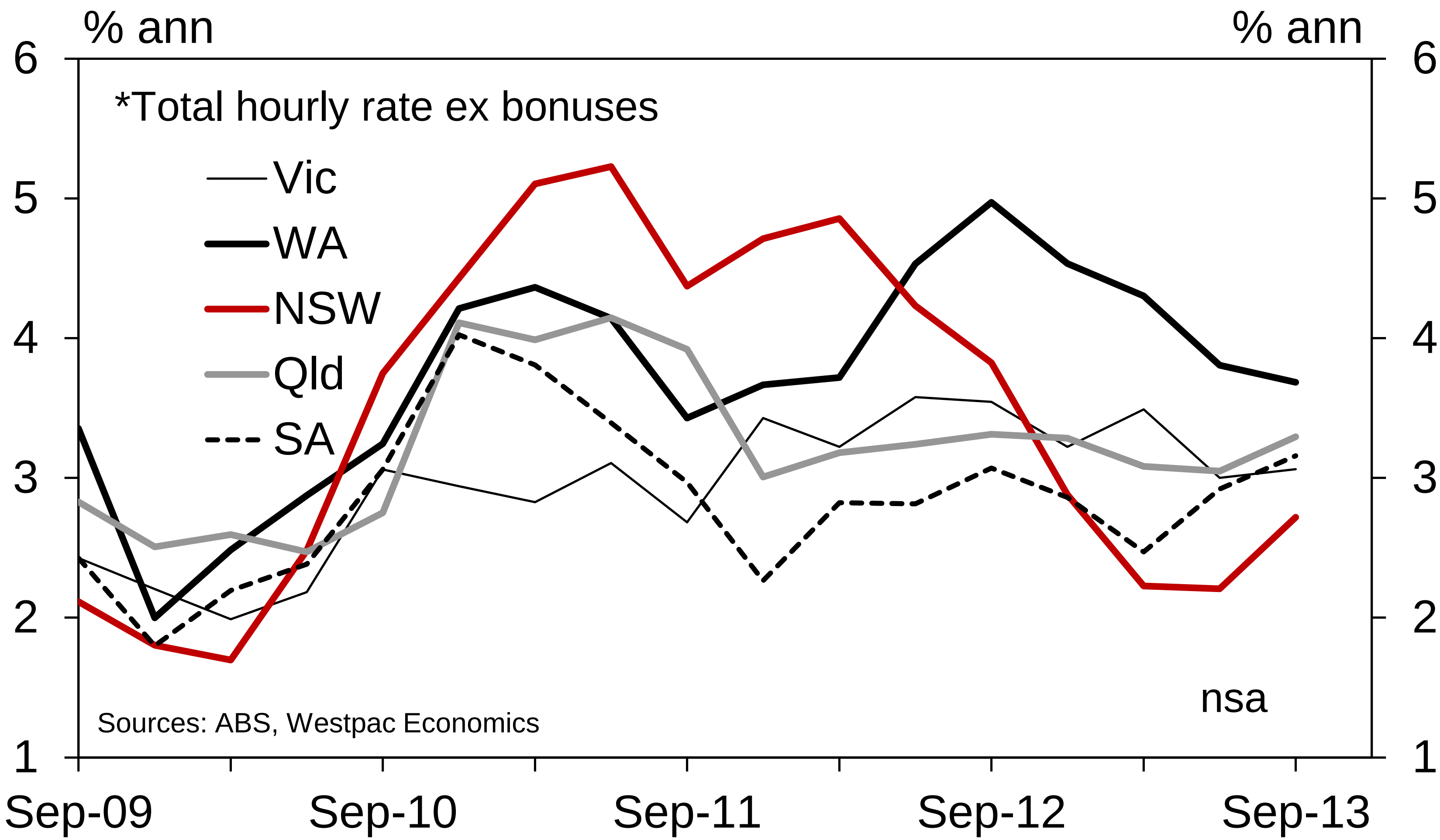
Industries by state

- **There is not enough data to explain the outperformance in SA. The ABS reports very few sectors in regards to wages from SA.**
- **For manufacturing, SA is in the middle of the pack while WA leads.**
- **SA wage rates are growing well ahead of the national average in retail but can this explain the divergence on its own?**
- **NSW has the fastest growing wages for administration.**
- **WA has slipped behind Qld for mining wages growth.**
- **Vic has the fastest growing wage rates for construction.**

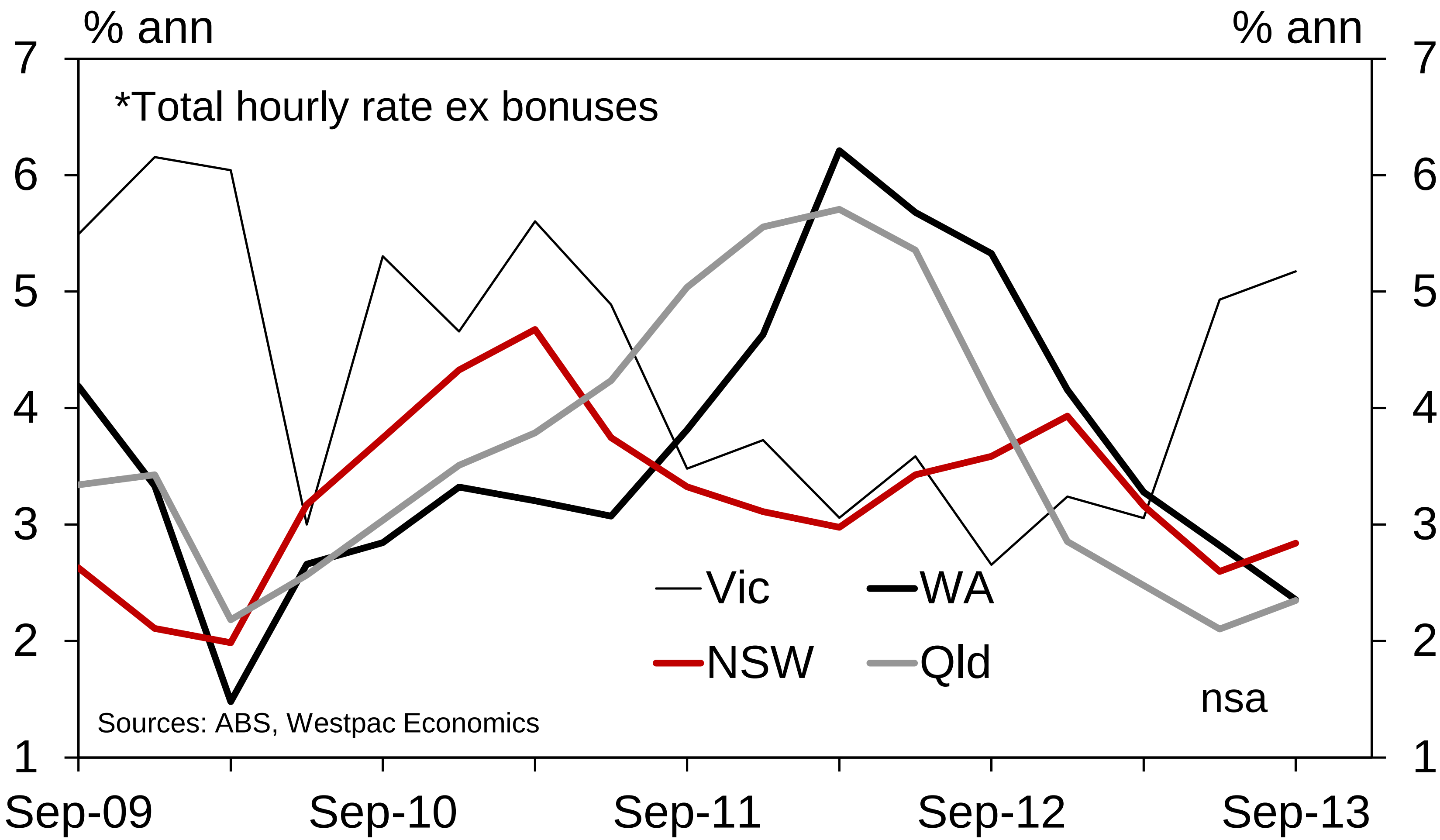
Mining; the heat is truly leaving WA mining



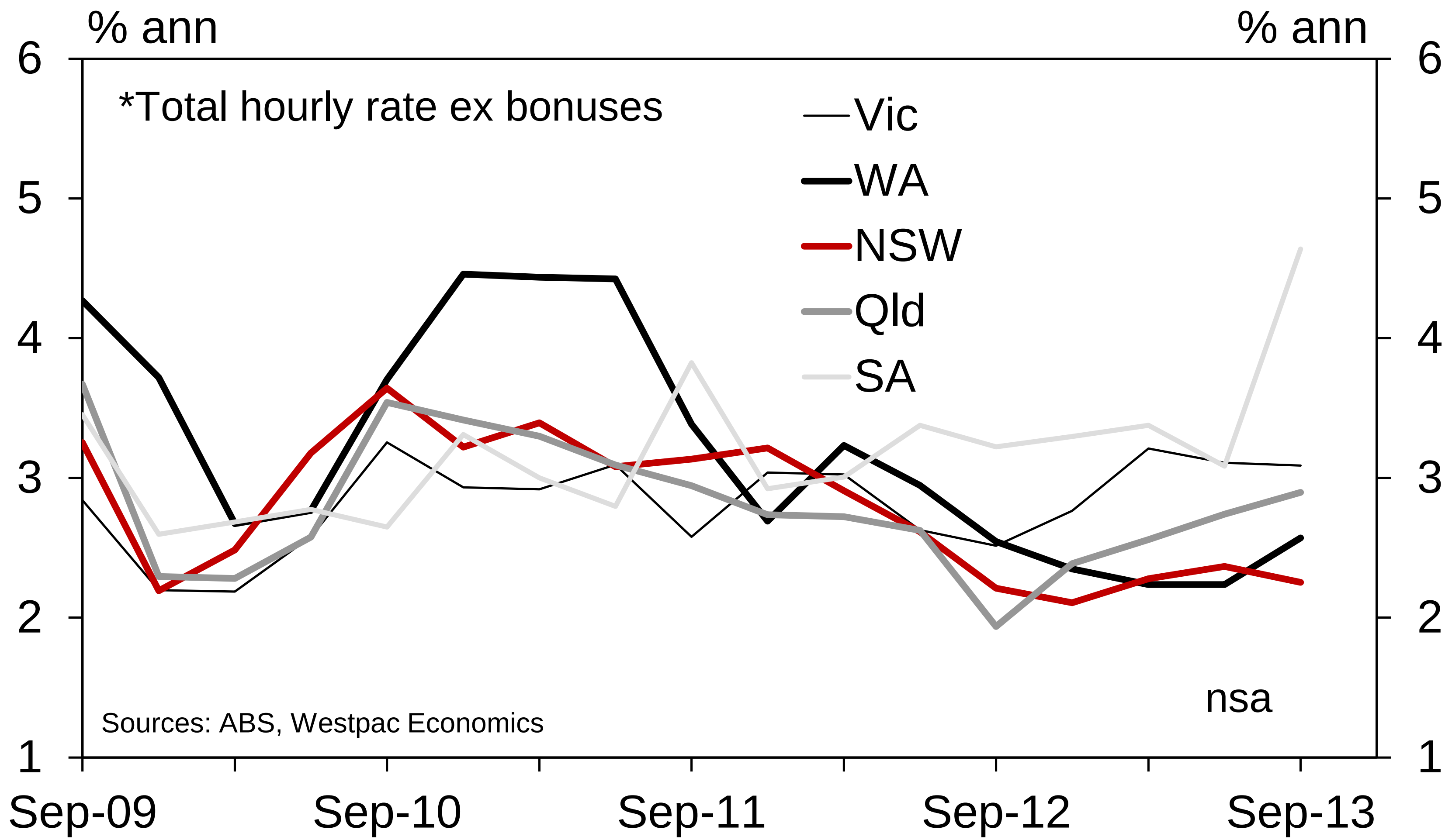
Manufacturing; NSW still the weakest



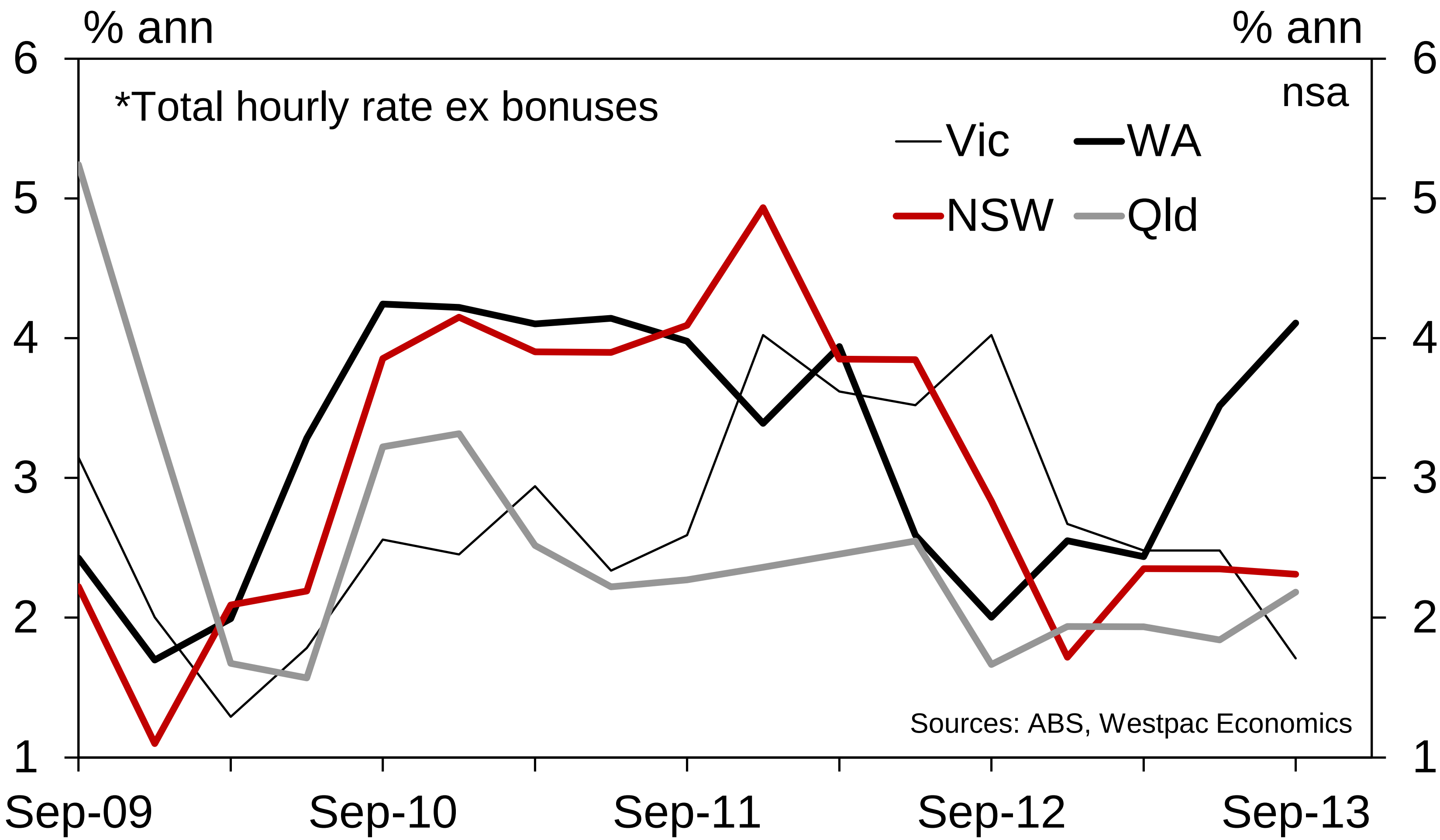
Construction; a surprising pop in Victoria



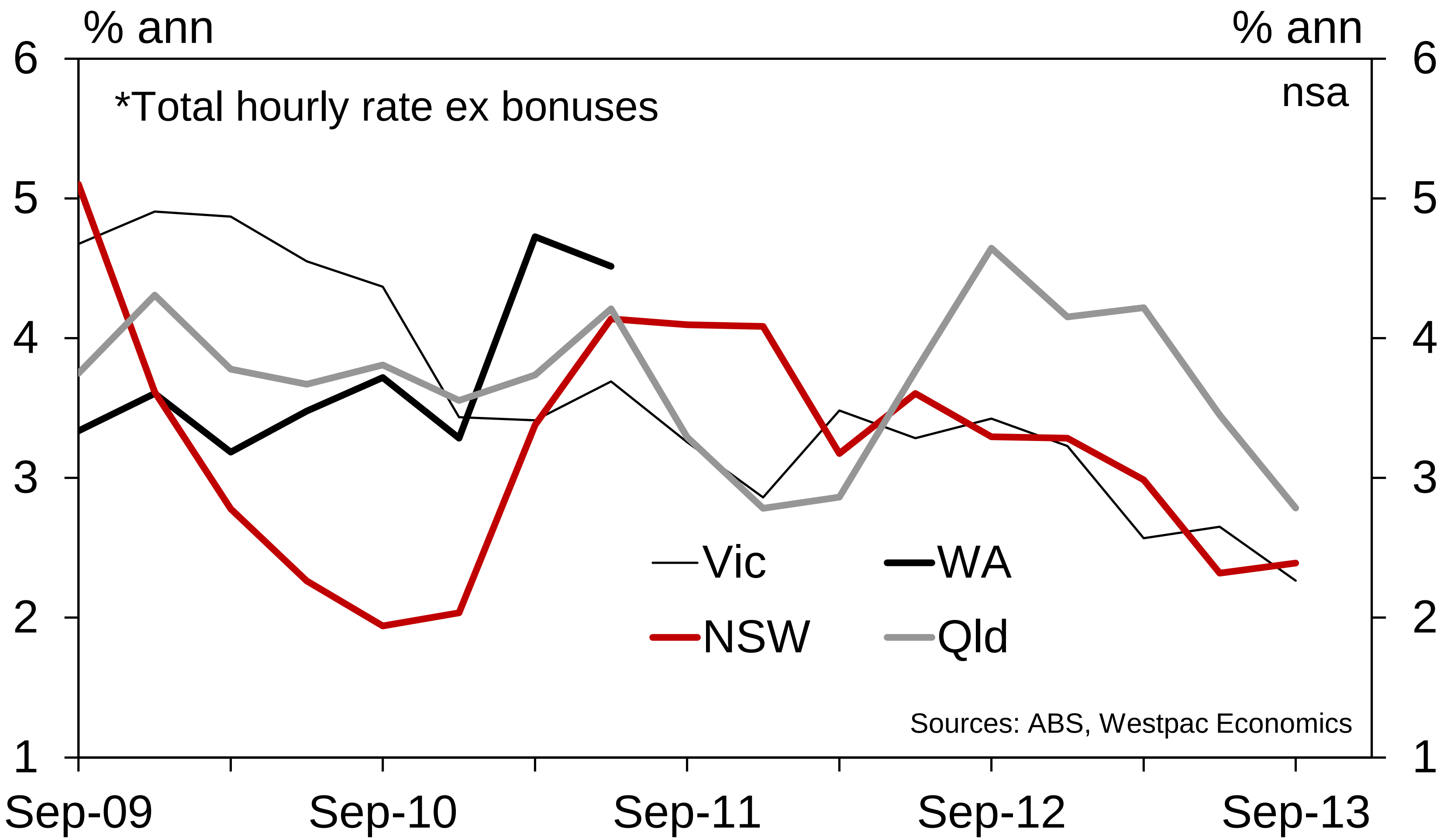
Retail; SA surges ahead, the rest lag behind



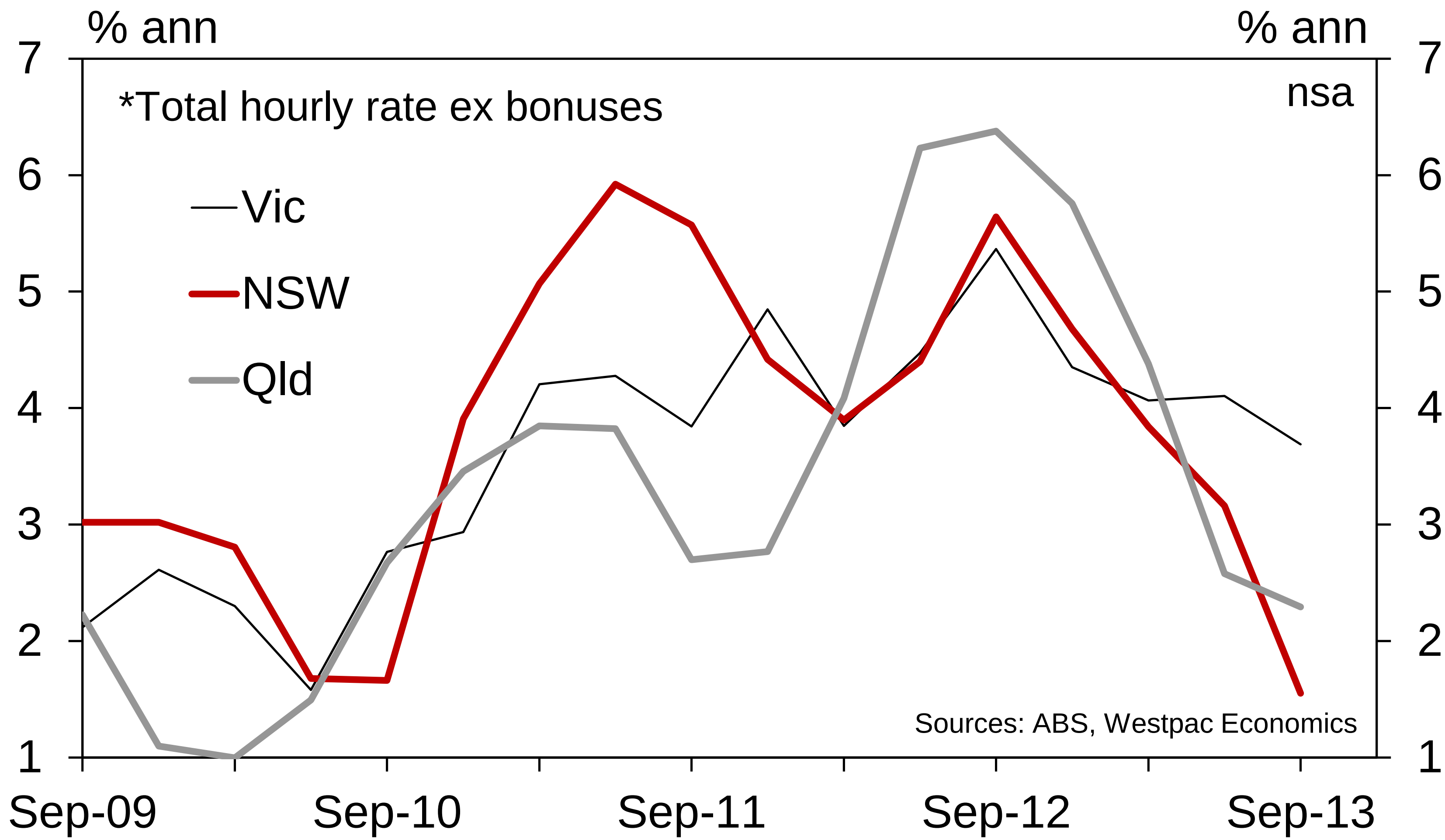
Acc & food; WA leaps ahead



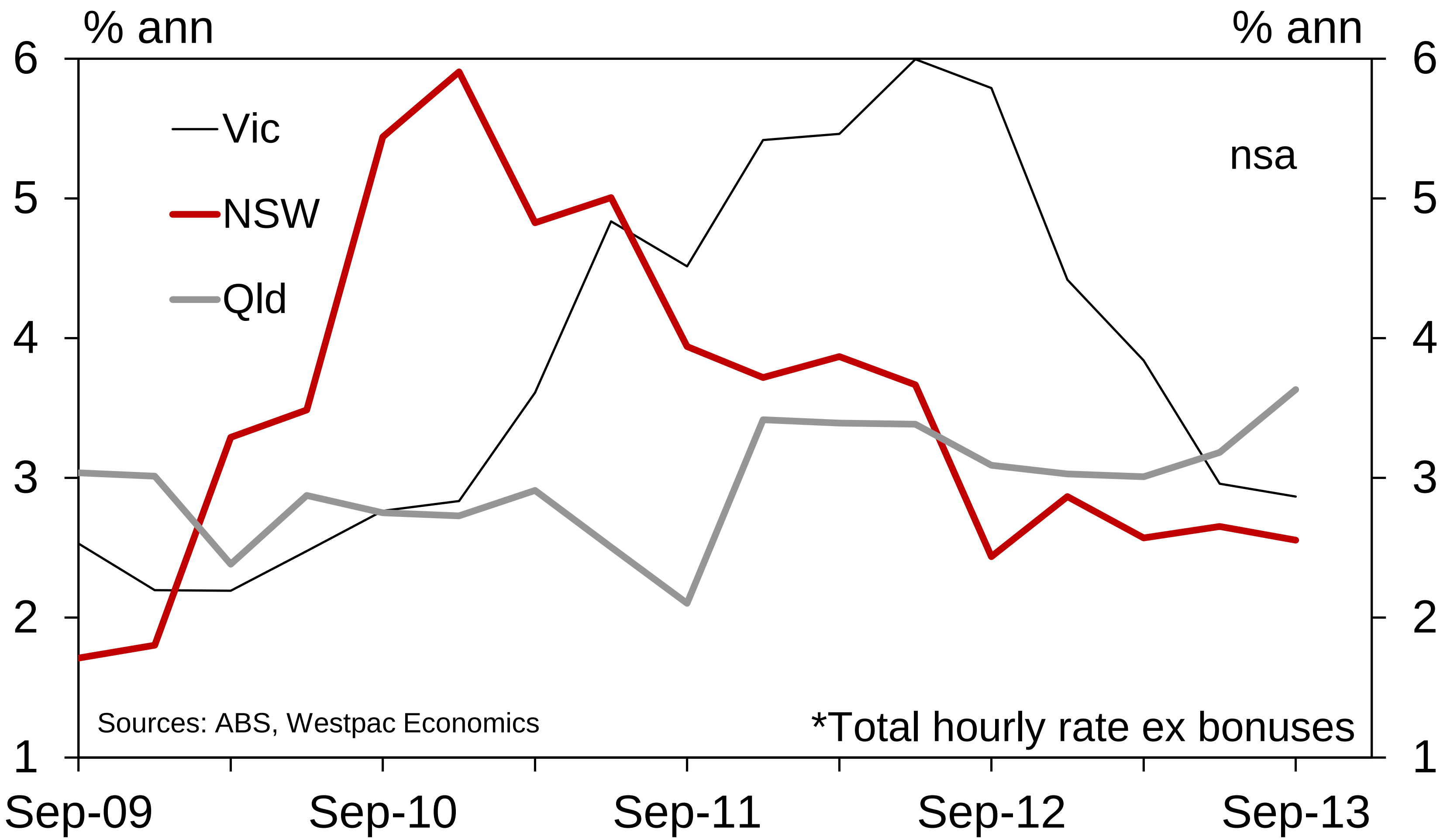
Transport; a collective move below 3%yr



Wholesale trade; Vic is now less than 4%yr

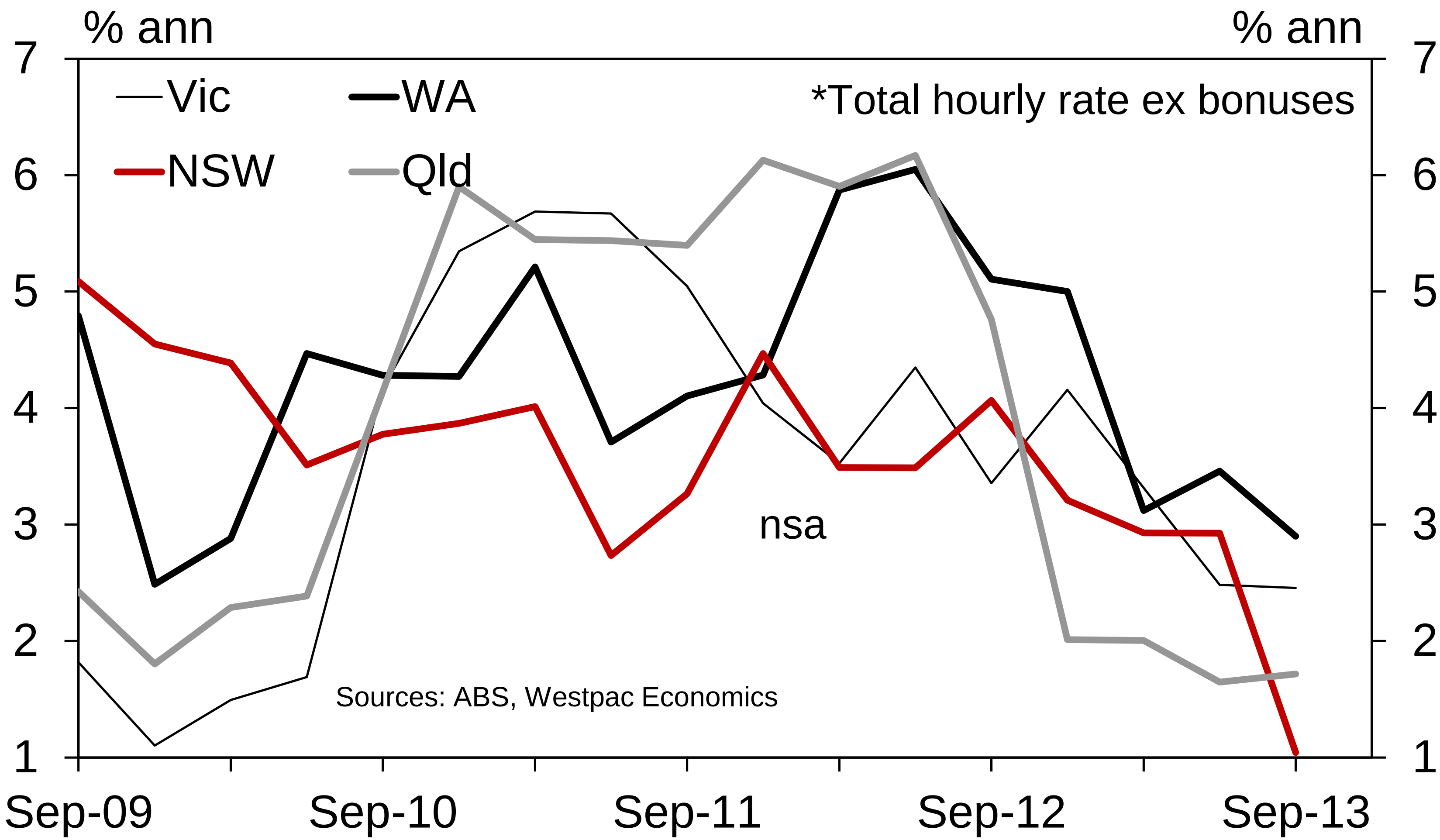


Finance & insurance; Qld in steady uptrend



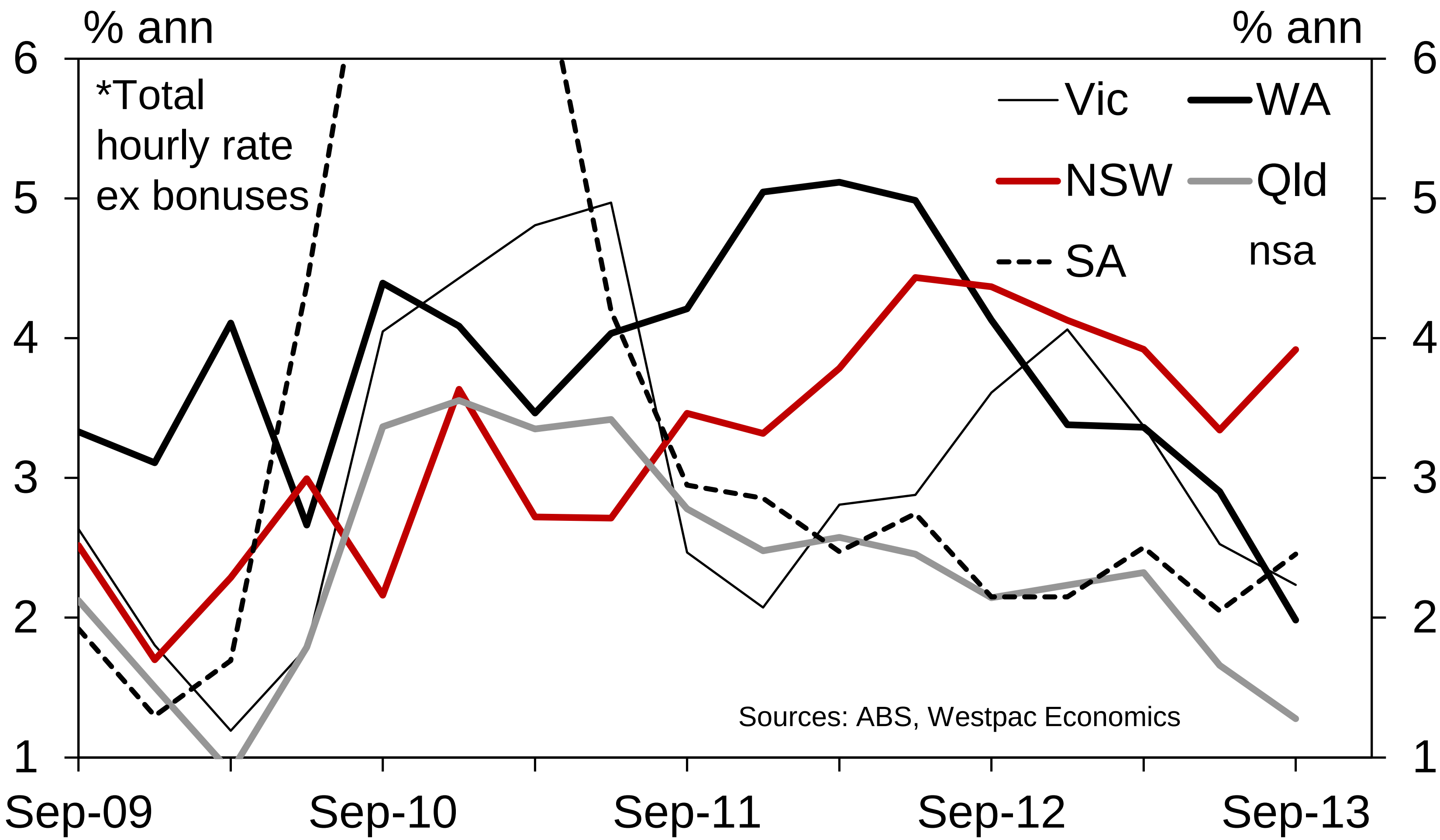
Professionals & scientific wages below 3%yr

NSW wages rates under pressure in a key sector for this state



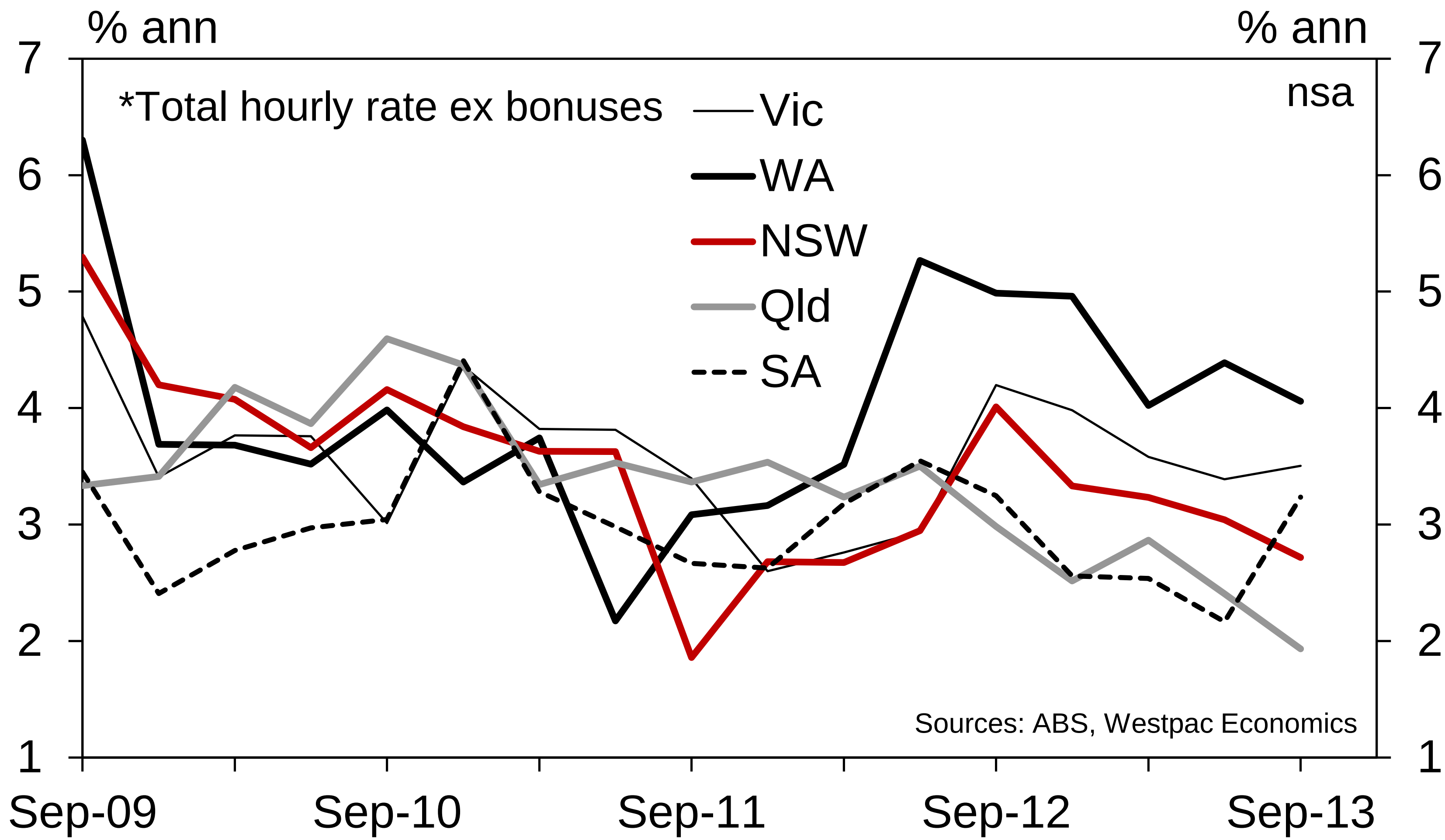
Admin services; divergence around national 3.6%yr

NSW rates growing near 4%yr while Qld down to just above 1%yr



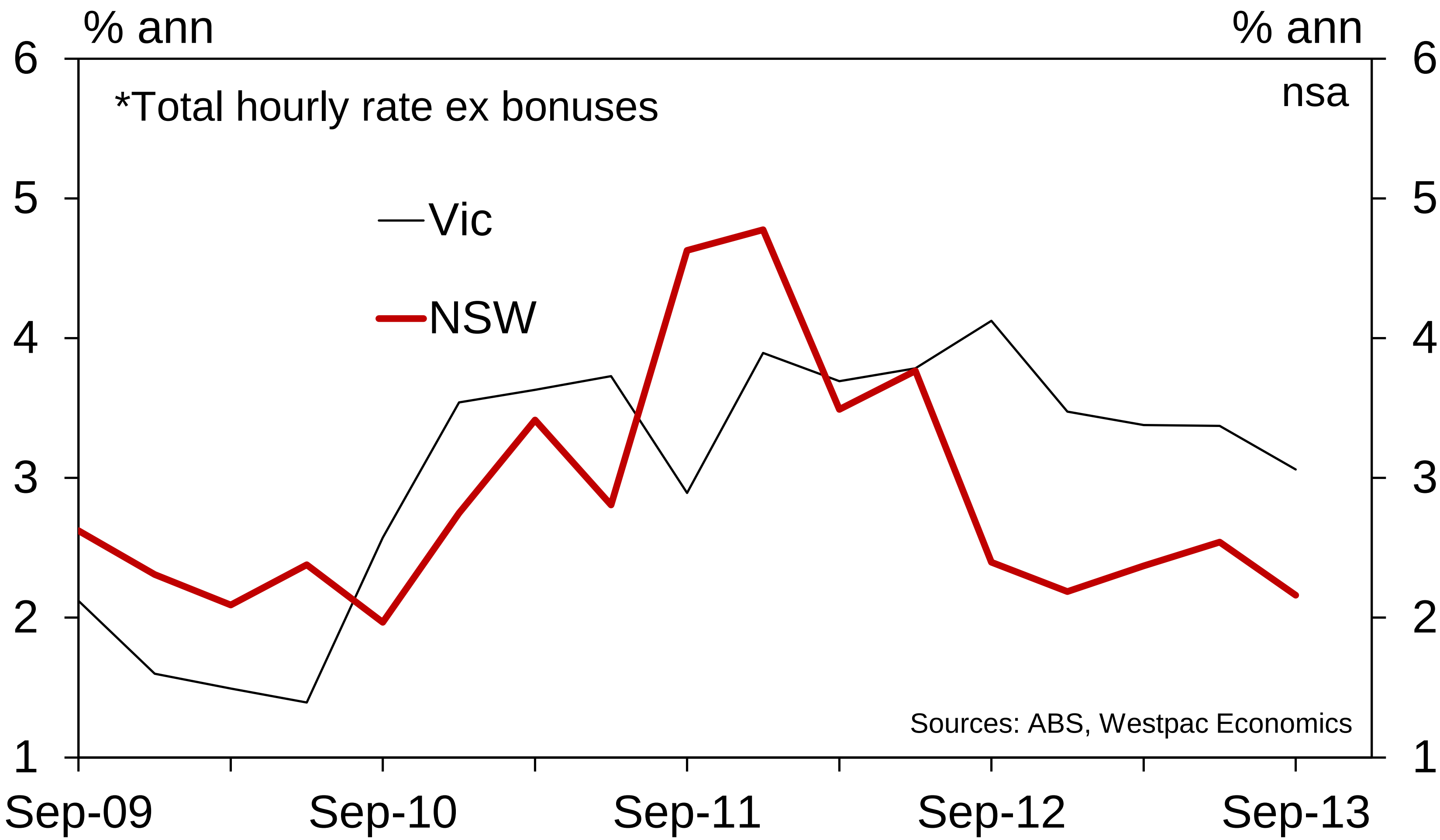
Public admin; wide spread below 4%yr

WA fastest at 4%yr, Qld slowest at less than 2%yr rest around 3%yr or more.



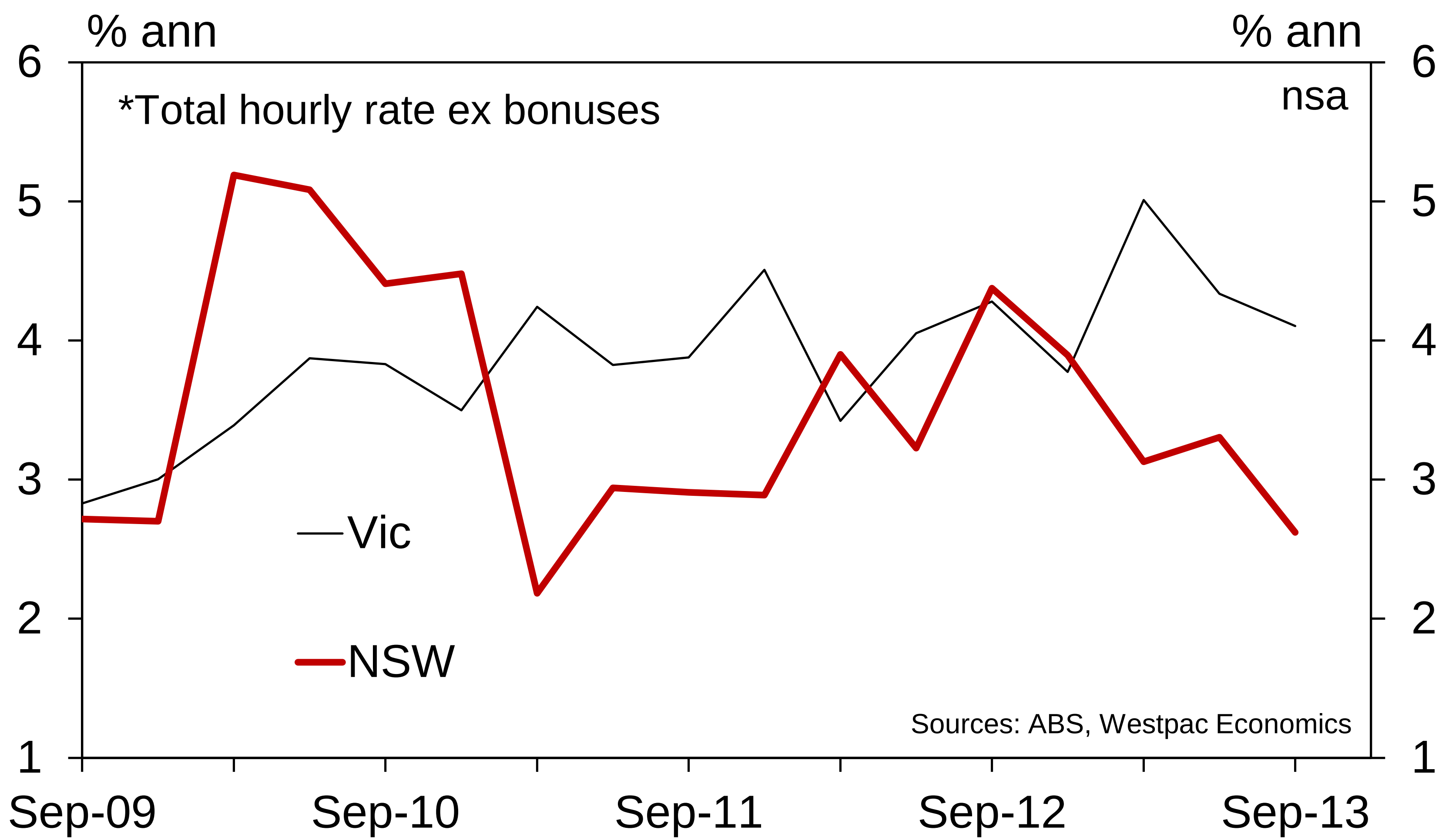
Information & media; little pressure here

NSW down to almost a 2%yr pace



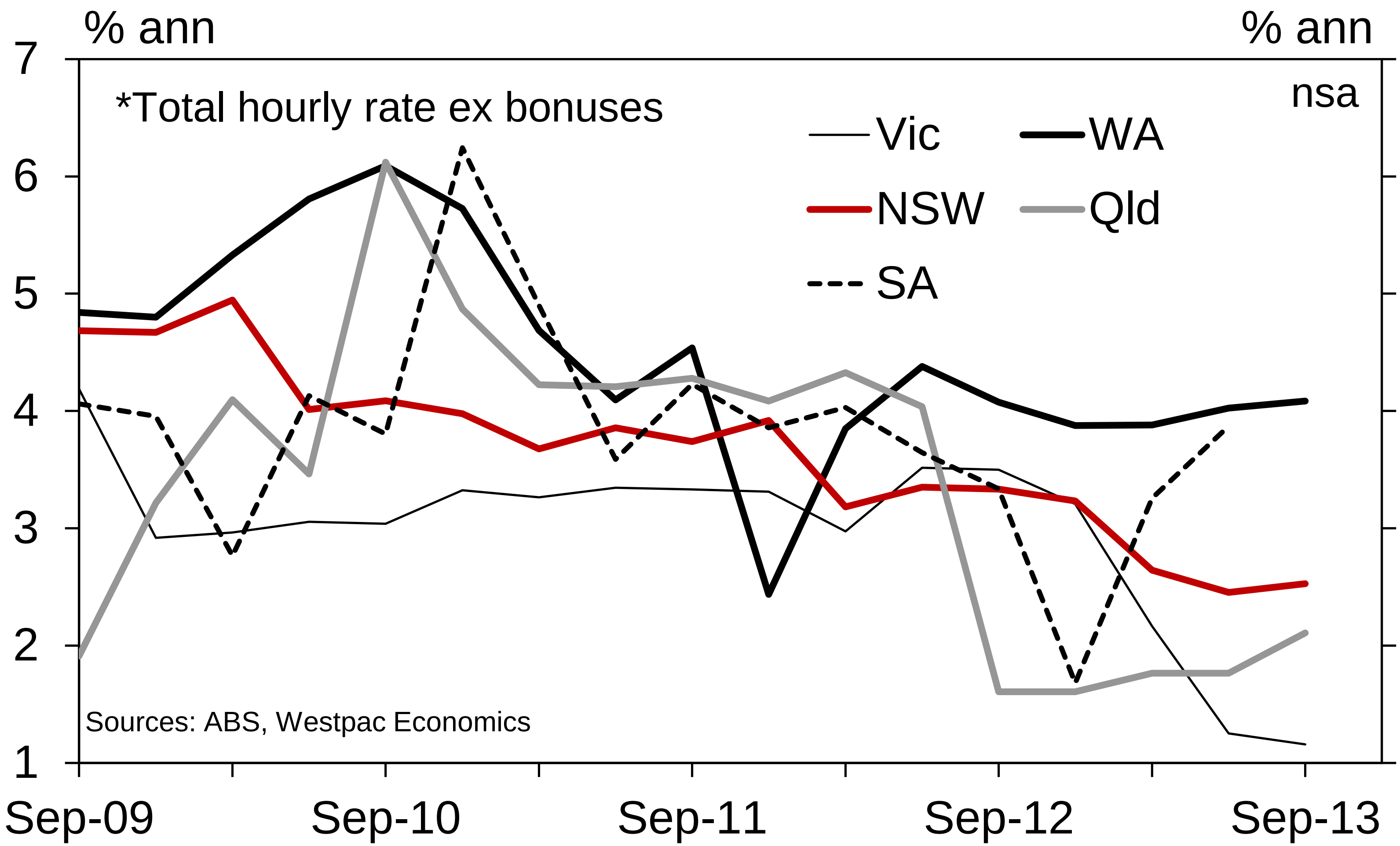
Utilities; national average growing at 3.4%yr

Pressure appears to be in Vic but we only have NSW to compare against



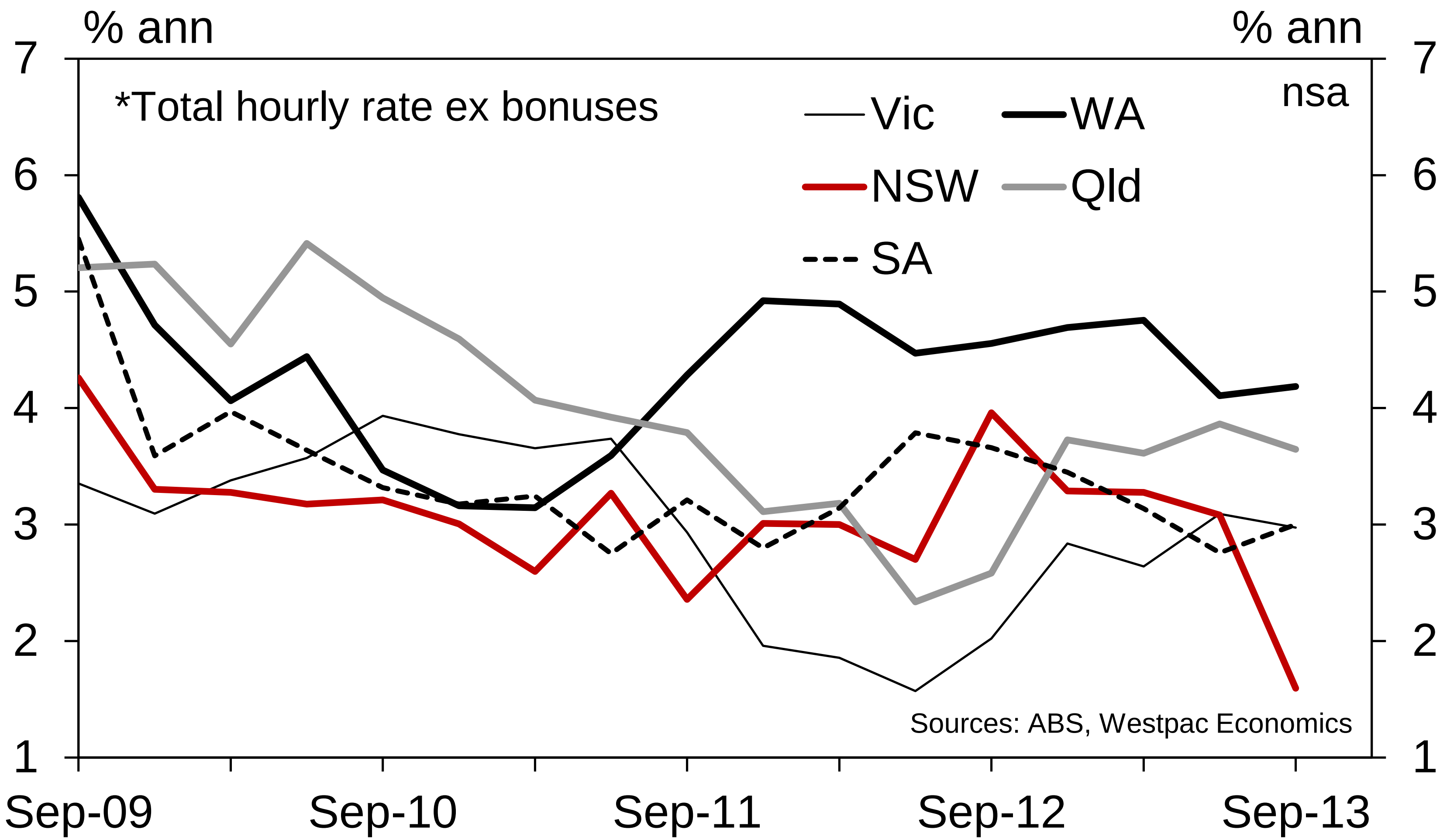
Education; national pace of 2.4%yr

WA fastest pace, SA data has stopped & NSW running at 2.5%yr



Heath; national pace of 2.8%yr

WA fastest pace of more than 4%yr, NSW running at just 1.6%yr



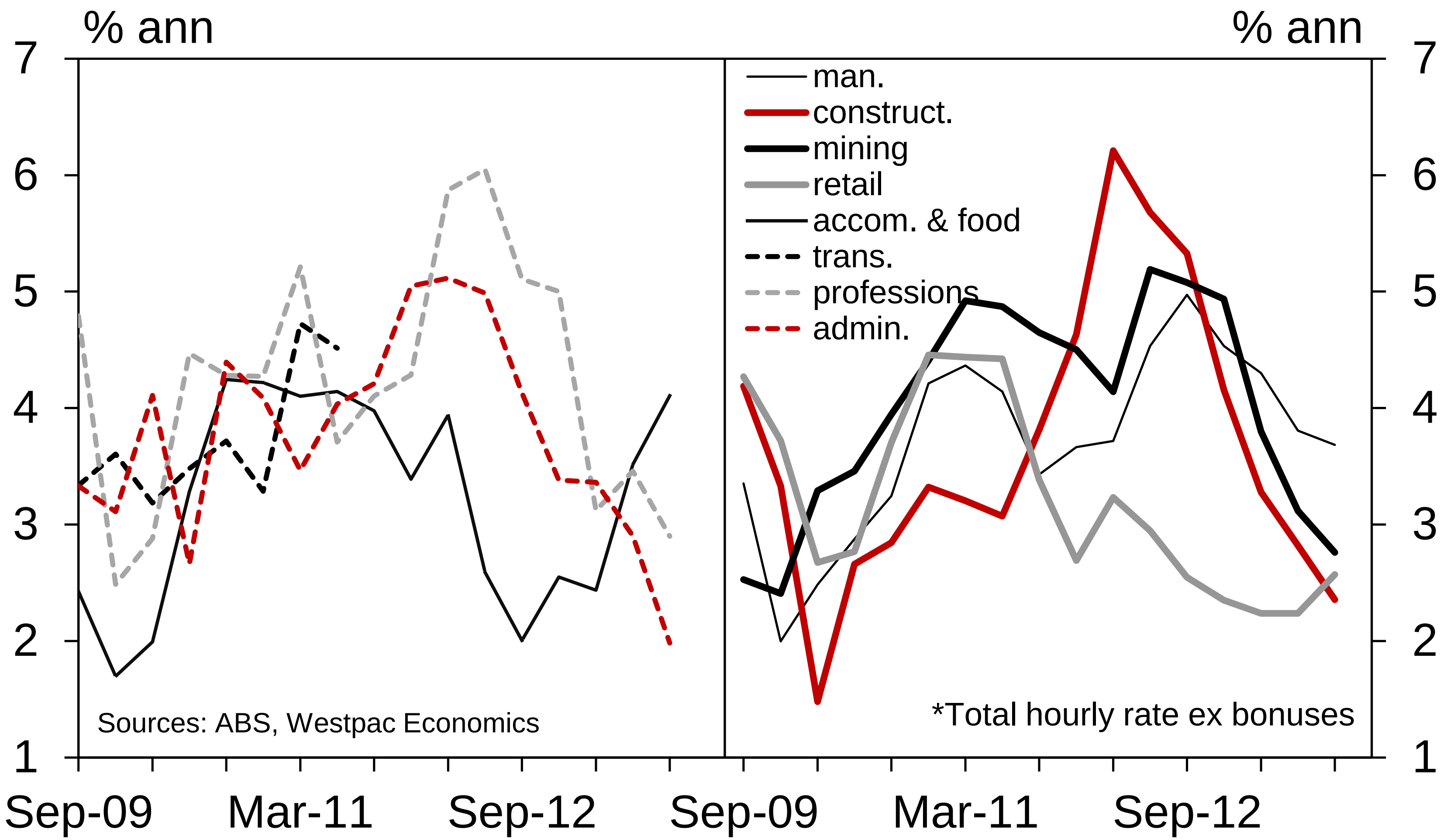
ABS Wage Cost Index

States by industry

- There is not enough data to explain the outperformance in SA. The ABS reports very few sectors in regards to wages from SA.
- By sectors, in WA accommodation & food services (4.1%yr) has the fastest pace of inflation with manufacturing not too far behind (3.7%yr).
- Qld wage inflation is being boosted by mining (3.7%yr) and manufacturing (3.3%yr). All the rest are growing at 3%yr or less.
- NSW has uniform weakness across most sectors. It does have the fastest growing wages for admin but the 3.9%yr pace is hardly startling.
- Vic wages, surprisingly, being lifted by construction (5.2%yr) and utilities (4.1%yr). Outside of these sectors wage inflation is quite contained.
- Why would wage inflation in the retail sector (4.6%yr) be so much greater in SA than all other sectors?

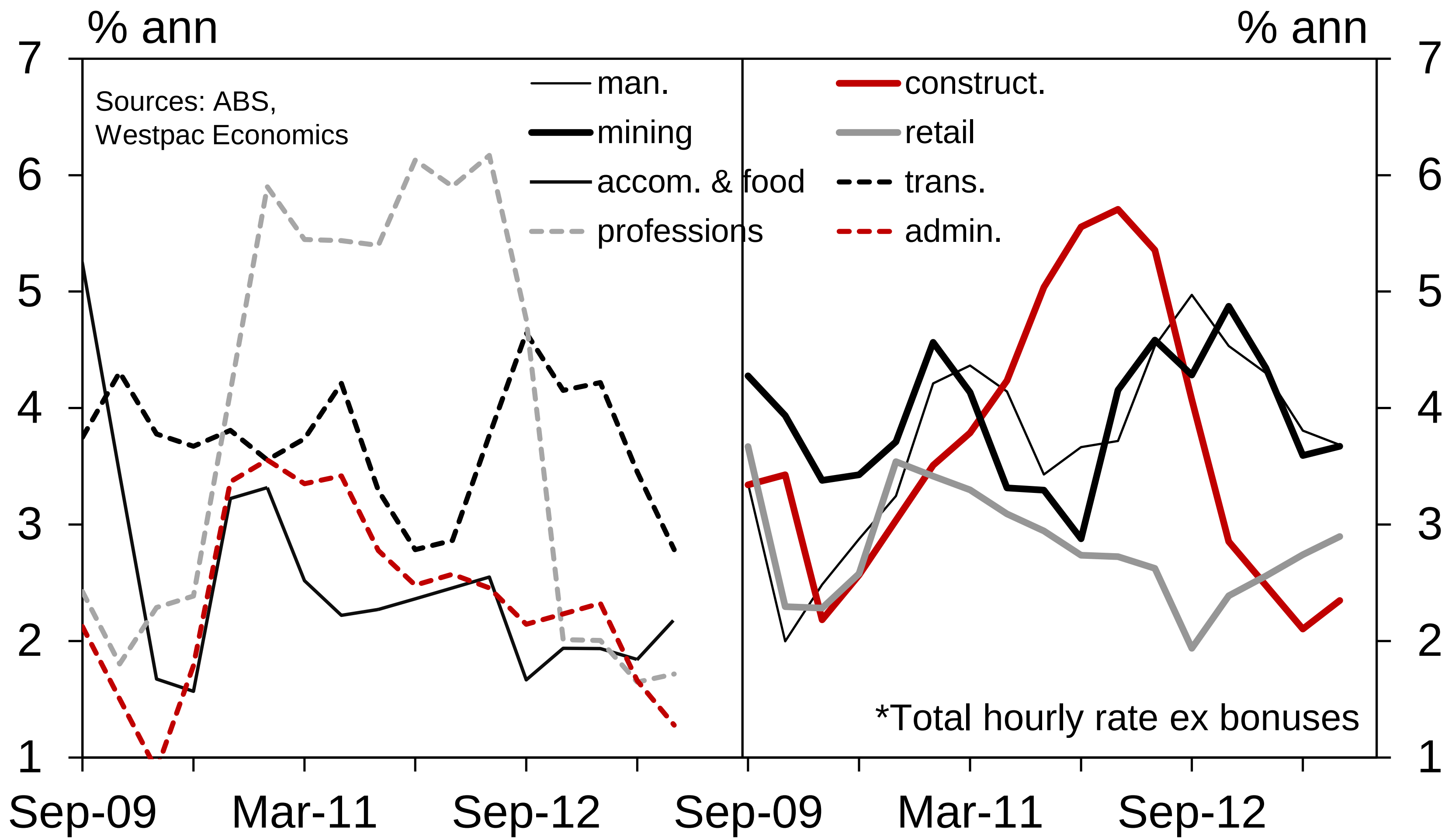
WA; state average pace of 3.2%yr

Accc & food fastest acceleration, retail and construction close to 2%yr



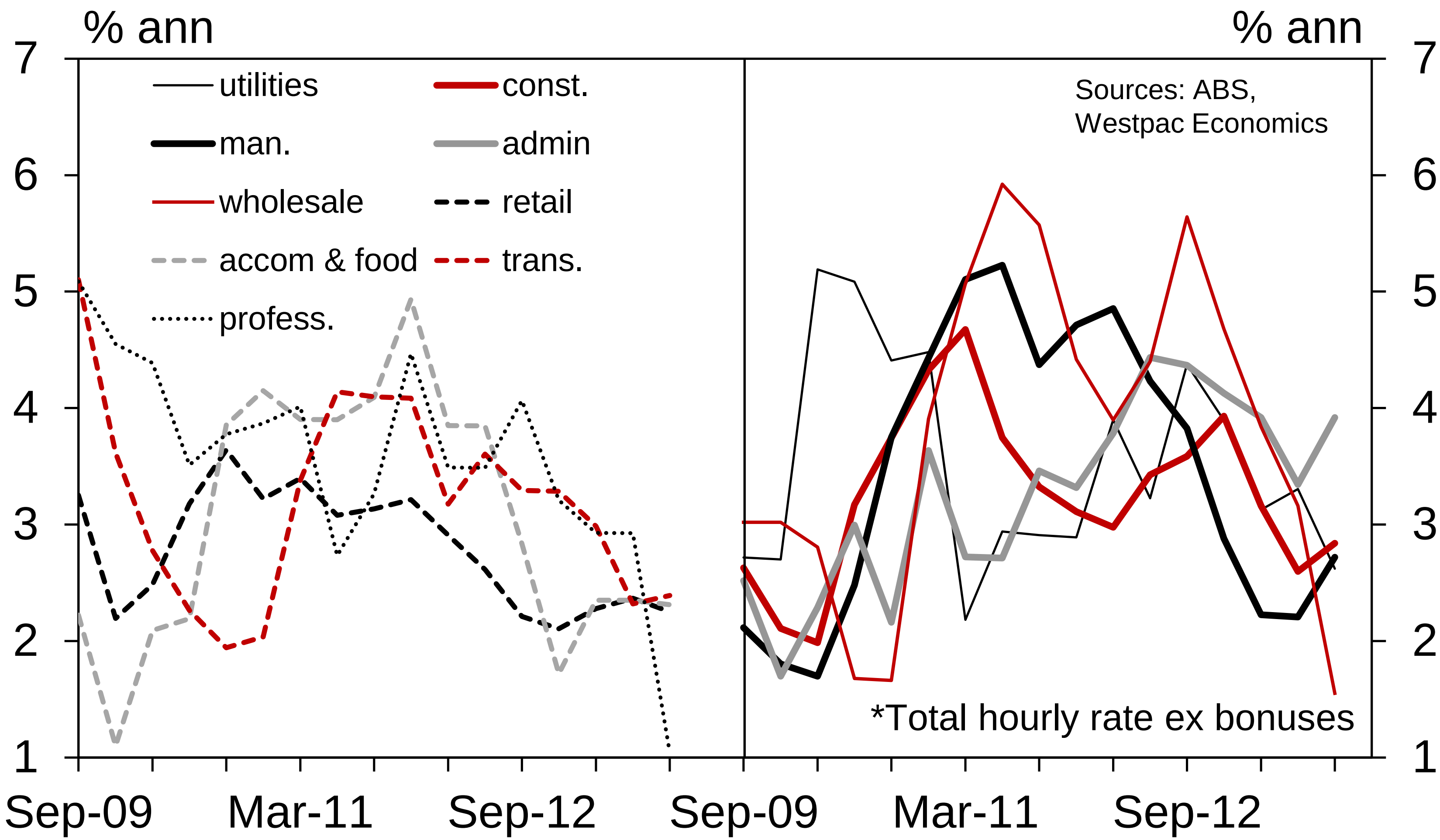
Qld; state average pace of 2.7%yr

Mining and manufact closest to 4%yr, rest at or below 3%yr



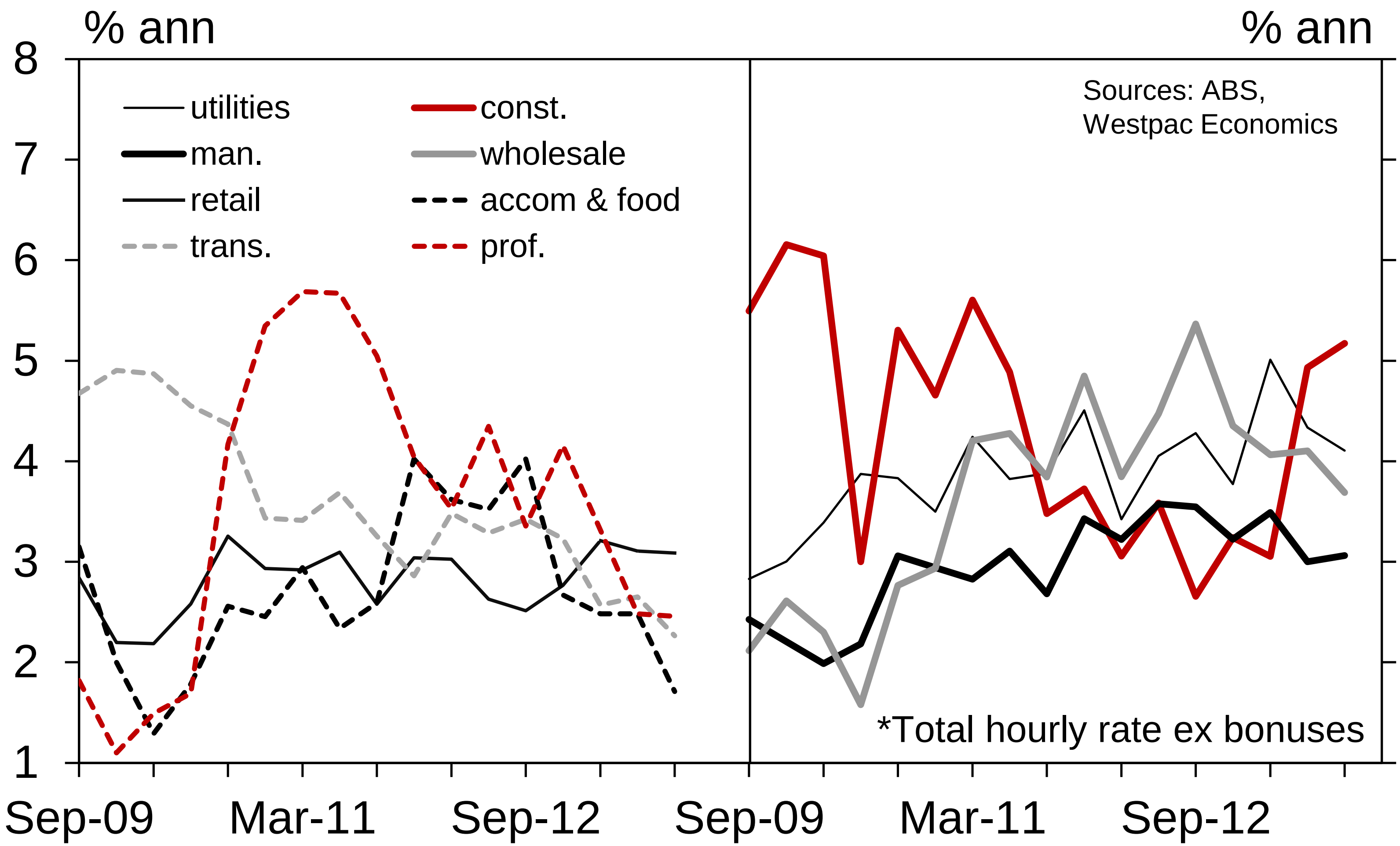
NSW; state average pace of 2.3%yr

Uniform weakness in the pace of wages growth except admin



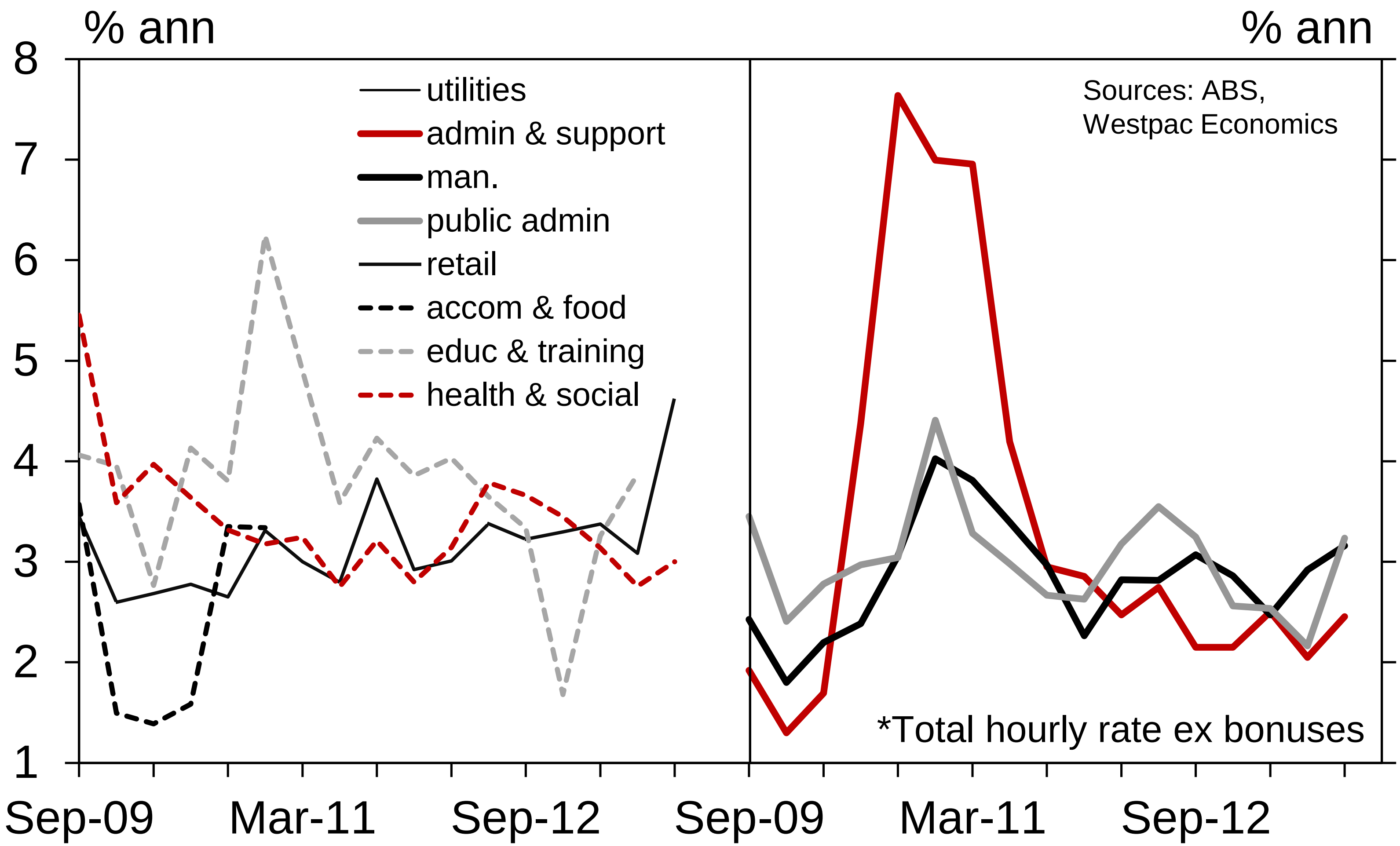
Vic; state average pace of 2.9%yr

Construction surprising stand out at greater than 5%yr pace.



SA; state average pace of 3.4%yr

Retail is the surprising standout in SA



ABS Wage Cost Index

States by industry

Total hourly rates of pay ex bonus by sector by state (one year ago)																
Jul-12	**Mining**	**Man.**	**Utilities**	**Construct.**	**Wholesale**	**Retail**	**Acc & food**	**Transport**	**Media**	**Finance**	**Prof**	**Admin**	**Public admin**	**Education**	**Health care**	**State Total**
NSW	na	4.2	3.2	3.4	4.4	2.6	3.8	3.6	3.8	3.7	3.5	4.4	2.9	3.4	2.7	**3.5**
Vic	na	3.6	4.1	3.6	4.5	2.6	3.5	3.3	3.8	6.0	4.3	2.9	2.9	3.5	1.6	**3.5**
Qld	4.6	3.2	na	5.4	6.2	2.6	2.5	3.8	na	3.4	6.2	2.5	3.5	4.0	2.3	**3.8**
WA	5.2	4.5	na	5.7	na	2.9	2.6	na	na	na	6.0	5.0	5.3	4.4	4.5	**4.8**
National	**5.2**	**3.8**	**3.8**	**4.2**	**4.8**	**2.7**	**3.4**	**3.8**	**3.5**	**4.1**	**4.5**	**3.6**	**3.5**	**3.6**	**2.6**	**3.8**
Jul-13	**Total hourly rates of pay ex bonus by sector by state (current)**															
NSW	na	2.2	3.3	2.6	3.2	2.4	2.3	2.3	2.5	2.7	2.9	3.3	3.0	2.5	3.1	**2.8**
Vic	na	3.0	4.3	4.9	4.1	3.1	2.5	2.7	3.4	3.0	2.5	2.5	3.4	1.3	3.1	**3.0**
Qld	3.6	3.0	na	2.1	2.6	2.7	1.8	3.5	na	3.2	1.6	1.7	2.4	1.8	3.9	**2.8**
WA	3.1	3.8	na	2.8	na	2.2	3.5	na	na	na	3.5	2.9	4.4	4.0	4.1	**3.4**
National	**3.5**	**2.9**	**3.9**	**3.1**	**3.3**	**2.7**	**2.6**	**2.8**	**2.9**	**2.9**	**2.8**	**2.7**	**2.9**	**2.5**	**3.4**	**2.9**
Variation to sector national average Jul-13																
NSW	na	-0.7	-0.6	-0.5	-0.1	-0.4	-0.2	-0.5	-0.4	-0.3	0.1	0.6	0.1	-0.0	-0.3	**-0.2**
Vic	na	0.1	0.5	1.8	0.8	0.4	-0.1	-0.2	0.5	0.0	-0.3	-0.2	0.5	-1.2	-0.3	**0.0**
Qld	0.1	0.2	na	-1.0	-0.7	0.0	-0.7	0.6	na	0.3	-1.2	-1.1	-0.5	-0.7	0.5	**-0.2**
WA	-0.3	0.9	na	-0.3	na	-0.5	1.0	na	na	na	0.6	0.2	1.5	1.6	0.7	**0.5**
Variation to state average Jul-13																
NSW	na	-0.6	0.5	-0.2	0.4	-0.4	-0.4	-0.4	-0.2	-0.1	0.2	0.6	0.3	-0.3	0.3	**na**
Vic	na	0.0	1.4	2.0	1.1	0.2	-0.5	-0.3	0.4	0.0	-0.5	-0.4	0.4	-1.7	0.1	**na**
Qld	0.8	0.3	na	-0.7	-0.2	-0.0	-0.9	0.7	na	0.4	-1.1	-1.1	-0.4	-1.0	1.1	**na**
WA	-0.3	0.4	na	-0.6	na	-1.2	0.1	na	na	na	0.0	-0.5	1.0	0.6	0.7	**na**

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