

Australia: 2Q21 Wage price index rising sedately

Arguably the number one data point for the Reserve Bank of Australia (RBA), the wage price index rose less in the second quarter than forecasters were expecting. No one anticipated a result consistent with imminent policy normalisation, but this may make that prospect seem even more distant now.



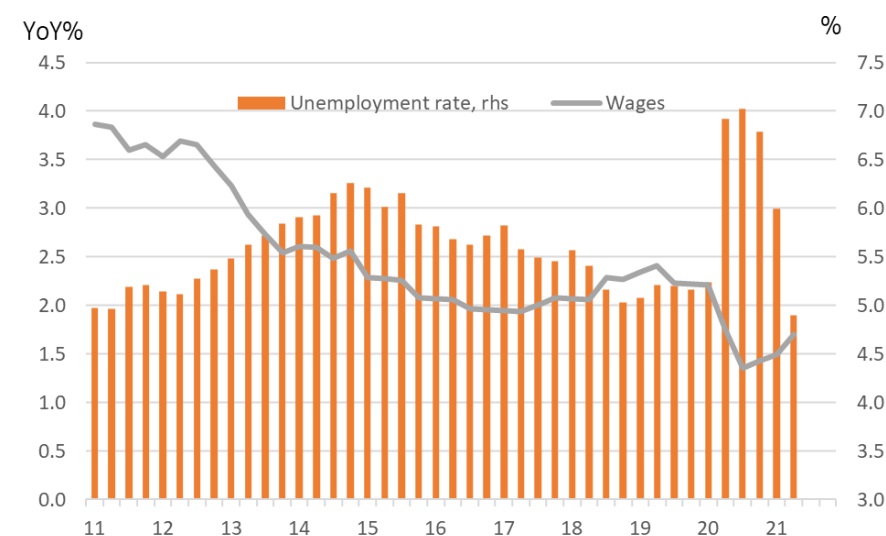
1.7%

Wage Price Index

Year on year growth

Lower than expected

Wages growth and unemployment rate



Source: CEIC

Australia's 2Q21 wage price index is quite a big deal, as the RBA has put a lot of weight on wages growth as the trigger for an eventual normalisation in policy. The 2Q21 wage price index showed growth of only 1.7%YoY following a 0.4%QoQ increase.

This was up from 1.5%YoY in 1Q21, but lower than the 1.9%YoY growth expected.

To be fair, no one was expecting this latest set of data to deliver a reading consistent with an imminent change in the Reserve Bank's policy stance. But the labour market has been improving faster than either the forecasting community or the RBA has been expecting, so an upside miss might have been thought more likely than this downside result.

Market expectations for the first RBA hike are way out at the end of 2022 using bank bill futures to imply future policy rates. This is earlier than the RBA suggested in its [latest statement](#) and [recent board minutes](#). These wage figures may push those expectations further out into 2023, weighing on an already heavy-looking AUD.

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