

Wage growth slows in September after August bounce

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Key points

- Annual wage growth held steady at 3.3%, while quarterly growth remained at 0.8%.
- South Australia, Tasmania and the Northern Territory recorded the equal-strongest wage growth in the nation at 3.7%.
- CBA Labour Insights data suggests trend employment increased by around 20,000 jobs in September.

Monthly wage growth eased noticeably in September, suggesting the boost from recent pay rises and inflationary pressures has not translated into sustained wage growth, according to the latest CommBank Wage and Labour Insights series.

Despite the drop off in monthly growth, annual wage growth held firm at 3.3%, while quarterly wage growth also remained unchanged at 0.8% over the three months to September.

CommBank Economist Harry Ottley said while the lack of movement in the data may seem unremarkable, it meant there's a clear takeaway for the RBA's inflation fight.

"Our data is showing that wage growth has not materially responded to higher actual and expected inflation, and the impact of the Fair Work Commission decision has been notable but limited," Ottley said.

"This somewhat eases the risk that pure wage inflation will become a material additional concern for the RBA's inflation fight, though there is no shortage of other concerns on that score," he added.

Monthly wage growth moderates

For September, the monthly growth in the CommBank Wage Insights series slowed in annualised terms to 3.3% from 3.5% in August, despite the increase to minimum wages and actual and expected inflation raising the risk of workers seeking larger pay rises.

Ottley said there were two clear reasons wages could have risen faster this year.

"The first, and well covered, reason was the larger-than-expected 4.75% increase to award and minimum wages from the FWC Annual Wage Review," Ottley said.

"The second was the lift in actual and expected inflation since the start of the year, including from the Middle East conflict, which raised the risk of workers seeking larger pay rises.

"Neither has materially lifted wage growth in our data. The August bump from the FWC decision has proved short-lived as expected and appears to have had a smaller impact than we had initially forecast. There is no sign yet that higher inflation is feeding through to wage settings more broadly.

"That should be welcome news for the RBA, which is focused on bringing inflation down. We remain comfortable with our forecast of a 0.9% rise in the ABS' Wage Price Index in Q3 2026."

Three-way tie for wage growth across the country

The CommBank Wage Insights series also shows annual wage growth continues to diverge across the country.

South Australia, Tasmania and the Northern Territory recorded the equal-strongest wage growth in the nation in September at 3.7%.

The NT saw the largest jump in wage growth in the month, increasing from 3.3% in August.

Victoria and the Australian Capital Territory recorded the equal-softest wage growth at 3.0%.

Employment growth outpaced by labour supply

On jobs numbers, the Labour Insights series recorded employment growth of around 20,000 trend jobs in September.

Ottley said while the data suggested employment growth may have picked up, the stronger participation rate has seen labour supply outpace employment growth.

"The recent uptick in our data suggests employment growth may have picked up a little," he said.

"But the pick-up has been more modest than in the official ABS data. And it has been outpaced by stronger labour supply, with the participation rate rising.

"That's left the unemployment rate drifting higher, to 4.6% in August, even as labour demand has held up. We continue to expect the unemployment rate to rise further from here, with developments in both labour demand and labour supply key to the outlook."

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