

Weekly Economic Update

21 November 2025



OPTIMAL
ECONOMICS

This week's main domestic datapoint was the release of the quarterly wages data on Wednesday. It showed real wages rising for the last eight quarters (see chart below from ANZ). That's the longest stretch in a decade, although the rise last quarter was tiny, thanks to the spike in inflation. Moreover, the RBA's forecasts show real wages falling from here as inflation persists. This will squeeze household budgets, although not as badly as during the post-pandemic period.

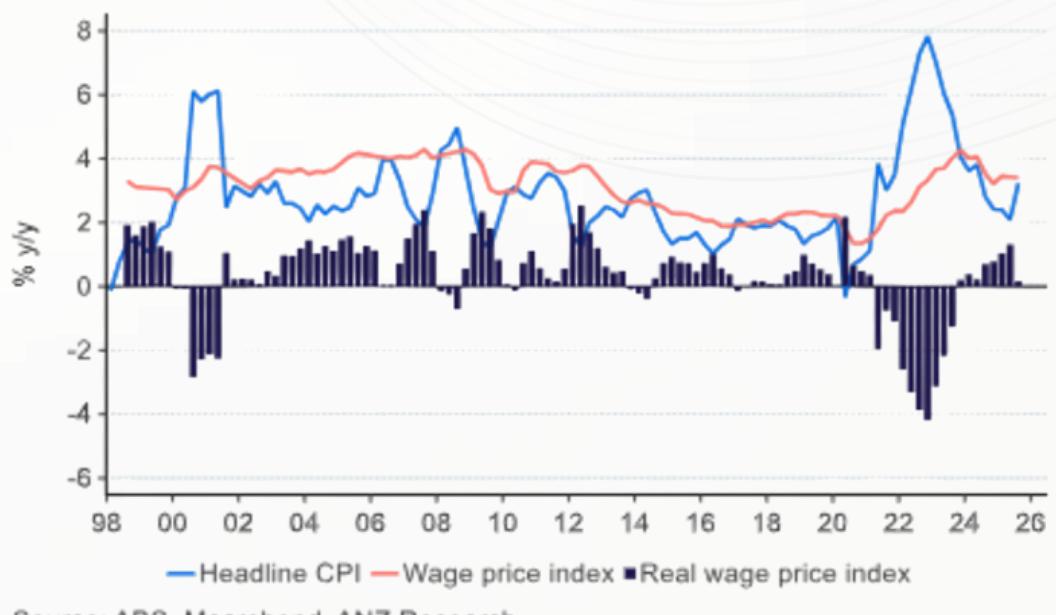
Growth in wages for public servants continues to run ahead of wage rises for private sector workers. This partly reflects a lack of discipline on wages policy from state governments, some of which have abandoned previous wage growth caps. The number of public servants, meanwhile, has exploded, including at the federal level. Across all workers, the rise in wages over the year was 3.4%, unchanged from the March quarter.

There was little new on offer from the Reserve Bank this week, save for the release of board minutes on Tuesday. The more "hawkish" tone confirmed that officials are watching inflation and labour market data for clues about what to do on interest rates from here, if anything. Markets imply just a 6% probability of an interest rate cut in December and a less than 40% chance by mid-2026. The next move from the RBA could be a hike, in fact, albeit not until late 2026 at the earliest.

Overseas, the fallout from President Trump's ill-advised tariff policies has hit Japan, Australia's second largest trading partner (20% of our exports). Japan's economy shrank in the three months to September, the first contraction in more than a year. Lower exports were partly to blame, particularly for autos. Recent diplomatic discussions resulted in a lower 15% tariff on all Japanese exports to the US. This still is hugely damaging, just less so than before.

In financial markets, the biggest development has been in high-risk crypto currency markets, where the correction continues. Bitcoin, for example, has shed 25% of its value in a month as nervous investors flee for the exits. Most global share markets are off recent highs, with the persistent sell-off this week meaning Australia's index is flirting with a six-month low, even with yesterday's bounce. The single-day sell-off on Tuesday was the third largest this year.

Figure 1. Wage Price Index and inflation



Source: ABS, Macrobond, ANZ Research



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