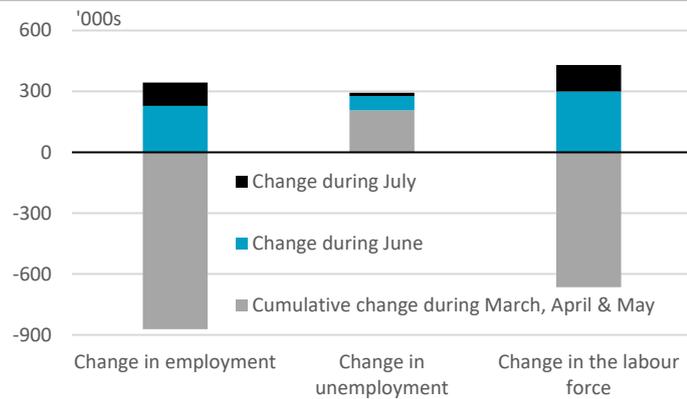


ASFA Economic Snapshot: week ending 21 August

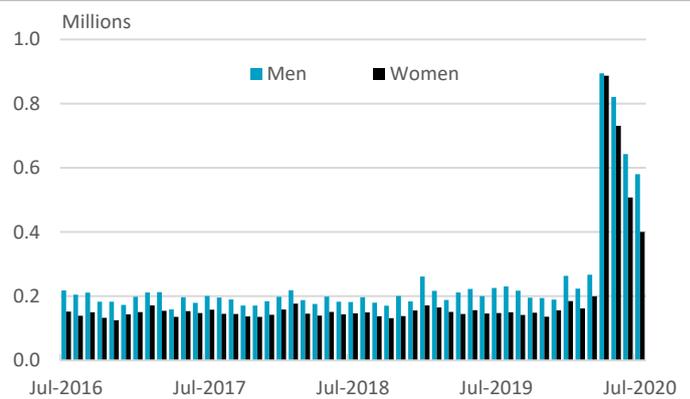
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Total employment is increasing, but slowly ...



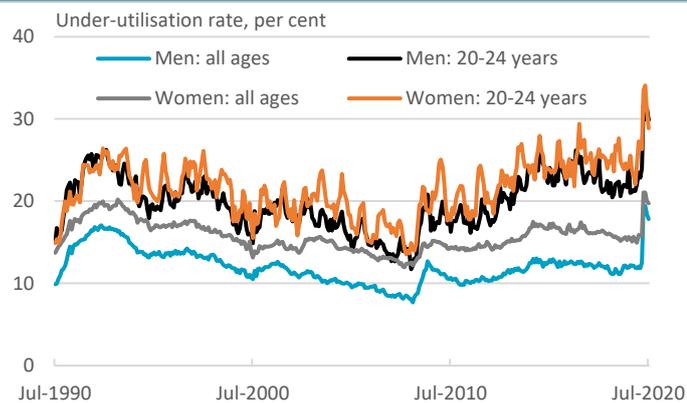
While the number of employed people rose by 115,000 in July, the number of unemployed people also rose (by 16,000). The increase in employment was not sufficient to absorb the increase in labour force participants in the month (up by 131,000), as people re-entered the labour force after dropping-out in the early part of the crisis period.

...and less workers are on reduced hours



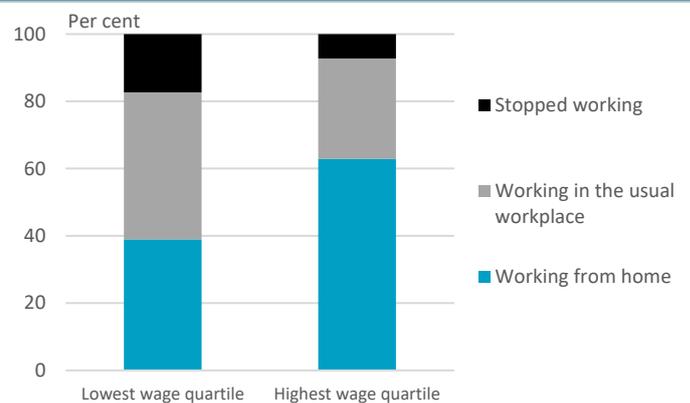
Of the people who were employed during July, about 1 million worked less hours than usual. This is about 600,000 more than pre-crisis levels – which equates to around 5% of people who are currently employed. The number of workers who are on reduced hours due to the crisis is now around half the peak level (about 1.2 million in April).

Labour market conditions more severe for the young ...



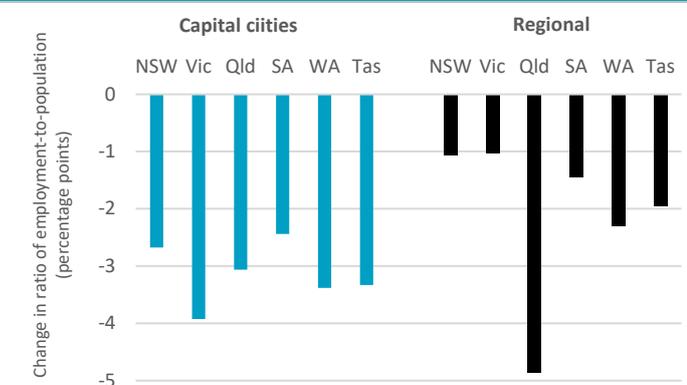
Certain worker cohorts have been particularly affected by the crisis, which suggests the risk of an uneven labour-market recovery. The above chart shows the under-utilisation rate (UUR), which combines the unemployment rate (people looking for work) and under-employment rate (workers wanting more hours). The UUR for younger workers is well above average – at about 30% for those aged 20 to 24.

... for workers in low-wage jobs ...



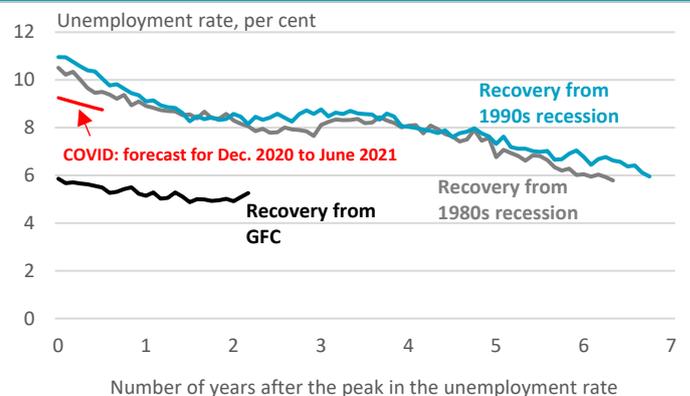
This chart shows the impact of the crisis on the status of workers in the lowest and highest wage cohorts (quartiles). In proportionate terms, more low-wage earners have stopped work than high-wage earners. While the Government provides income support for affected workers, protracted periods without work increases the risk that people become permanently disconnected from the labour market.

... and workers in capital cities



Changes in the ratio of employment-to-population is an alternative metric to assess the impact of the crisis on the labour market. Largely reflecting the presence of agriculture and mining industries, regional areas have (on average) been less affected than capital cities. That said, regional Queensland has been particularly hard hit due to its relatively large exposure to the international tourism market.

Labour force spare capacity will take time to fall



This chart shows the unemployment rate during the recovery phases of previous recessions (the starting point is the peak unemployment rate). For the COVID crisis, Treasury forecasts unemployment to peak at 9.25% in December 2020, and fall to 8.75% by June 2021. While the pace of recovery could increase thereafter, as the economy re-opens, it's likely that a return to pre-crisis levels will take a number of years.