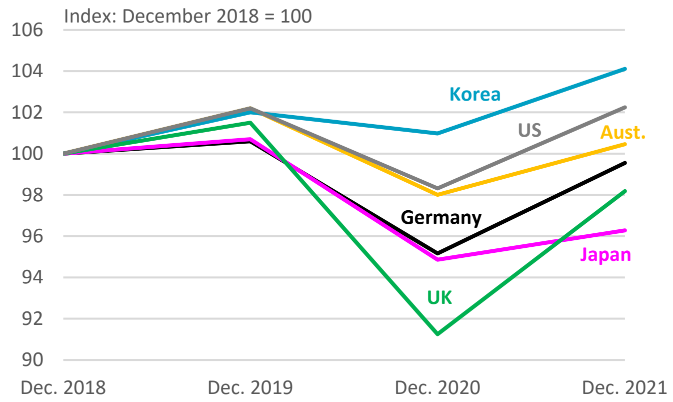
ASFA Economic Snapshot: week ending 25 September

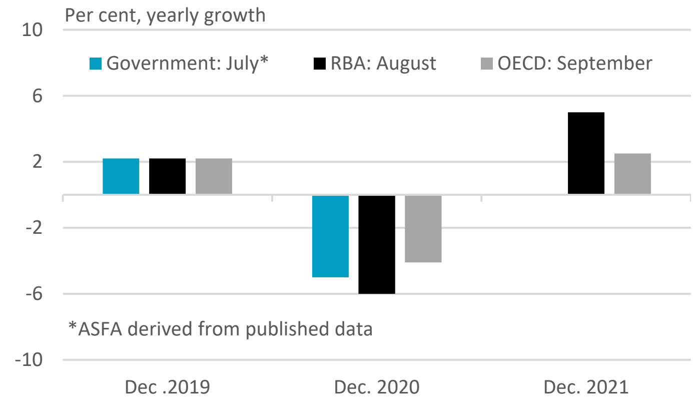
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Australia expected to perform better than most …



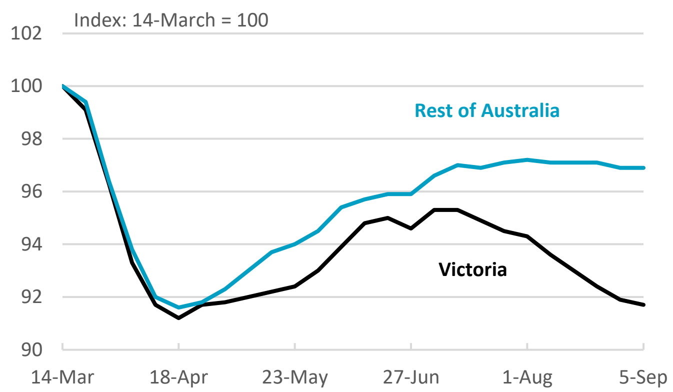
This chart shows forecasts for the level of GDP for selected advanced economies (as indexes), based on the OECD's most recent global projections. The OECD expects Australia to perform better than most over the next year or so. That said, Australia's GDP is still not expected to recover to its December 2018 level until the end of 2021.

… though the outlook remains uncertain



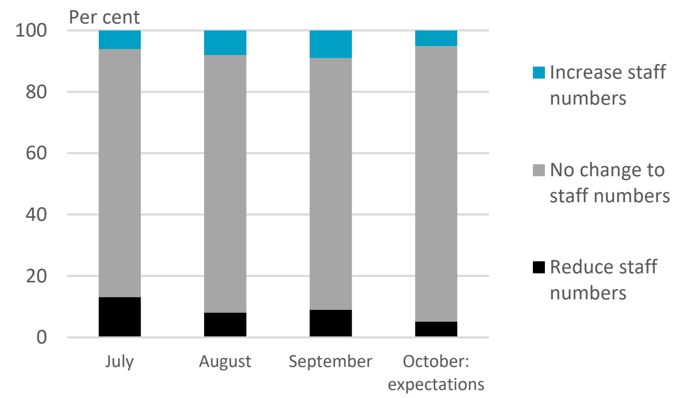
The Government will publish revised forecasts for the economy in its upcoming Budget (6 October). This chart shows recent forecasts for GDP growth from various sources. For the year to December 2020, GDP is forecast to fall by 4% to 6%. Further out, there is significant uncertainty around the pace and sustainability of the recovery.

Total number of jobs remains flat …



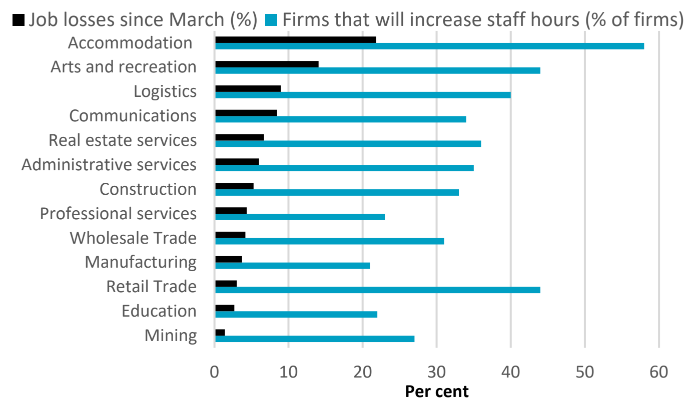
As noted last week, the labour market is weaker than headline unemployment figures suggest. In Victoria, tighter social restrictions led to falls in jobs in July and August, while total jobs for the rest of the country (in aggregate) have been flat over the same period. In large part, this reflects soft conditions in certain industries – such as construction, education, manufacturing and various business services.

… with little change in the short-term …



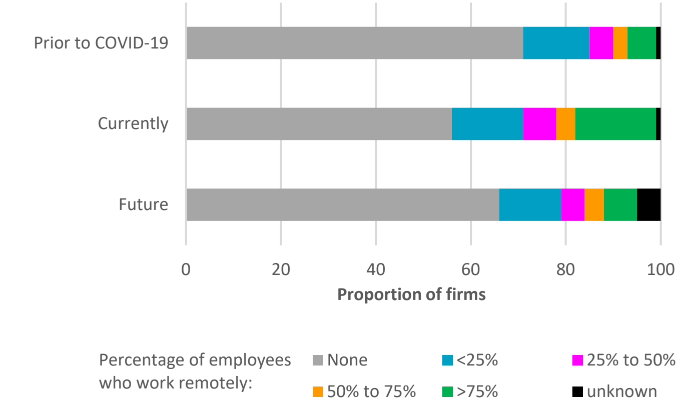
Short-term employment expectations suggest only weak jobs growth over the next month or so. This chart shows the percentage of firms who expect to increase/decrease staff numbers. The share of firms expecting to cut jobs has been trending down month-on-month. However, for September and October the share of firms expecting to increase staff numbers is on par with those expecting to cut jobs.

… and pockets of weakness over the longer-term



For each industry, this chart shows the fall in total jobs since the onset of the crisis (black), and the share of firms that expect to increase staff hours once conditions normalise (blue). In general, for industries hit hardest by the crisis, a relatively large proportion of firms expect to increase hours. But the data also suggest a persistence of soft conditions in some (manufacturing, education and business services).

Remote-working arrangements likely to persist



This chart shows the share of firms with remote-work arrangements, and the extent of those arrangements. Prior to the crisis about 30% of firms had at least some staff working remotely. During the crisis, this share has risen to about 50%, with almost 20% of firms having more than 75% of their staff working remotely (green sections). Looking ahead, some degree of persistence of new arrangements is expected.

Sources for each panel: (1) OECD, *Interim Economic Outlook*; (2) OECD, *Interim Economic Outlook*; Australian Treasury, *Economic and Fiscal Update*; RBA, *Statement of Monetary Policy*, August; (4) ABS, *Weekly Payroll Jobs and Wages,* week ending 5 September; (4 to 6) ABS, *Business Indicators, Business Impacts of COVID-19*.