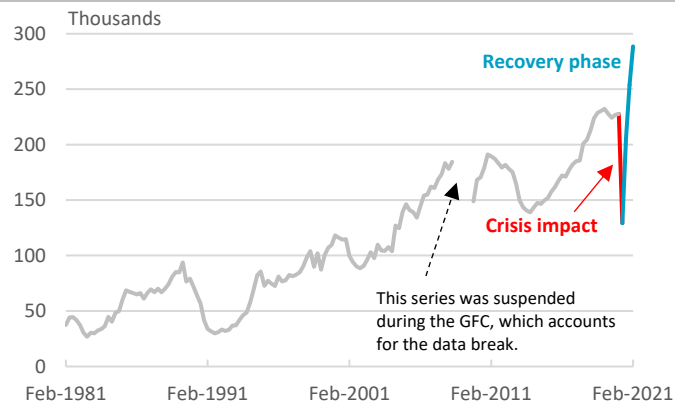


ASFA Economic Snapshot: week ending 9 April

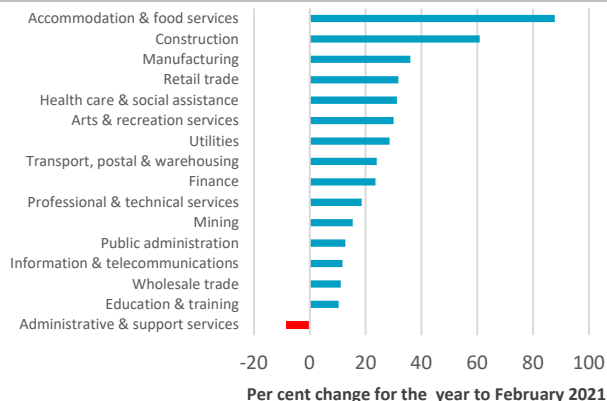
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Job vacancies have risen sharply in total ...



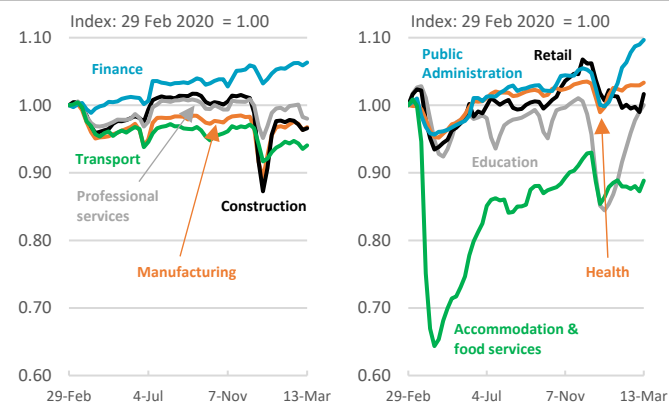
Typically, a rise in job vacancies suggests improving business conditions. Following a sharp drop in the early stages of the crisis (red), vacancies have rebounded – reflecting an increase in the demand for labour from firms, coupled with labour shortages in some industries (Panel 2). Firms were surveyed in February – so responses should incorporate expected impacts of the end of JobKeeper (on 28 March).

... and across most industries



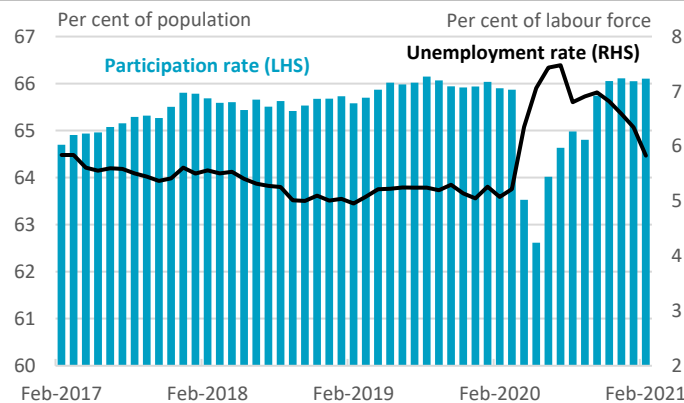
That the number of job vacancies is higher than a year ago in almost all industries suggests a broad pick-up in labour demand. Unusually, during this crisis, the supply of foreign workers contracted. This has led to (temporary) labour shortages in some industries, particularly *Construction* and *Accommodation & food services* – even though for the latter, the business conditions have still not fully recovered.

Employment growth differs across industries ...



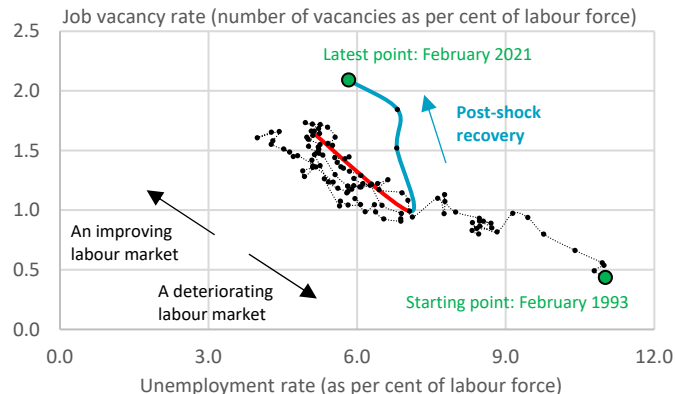
This chart shows the number of jobs in the 10 largest industries. While a broad pick-up in labour demand suggests similarly broad increases in employment ahead, pockets of weaker demand/labour shortages will affect job creation in some industries (such as in *Accommodation & food services*), and so slow the fall in total unemployment (Panel 4).

... unemployment will fall slowly



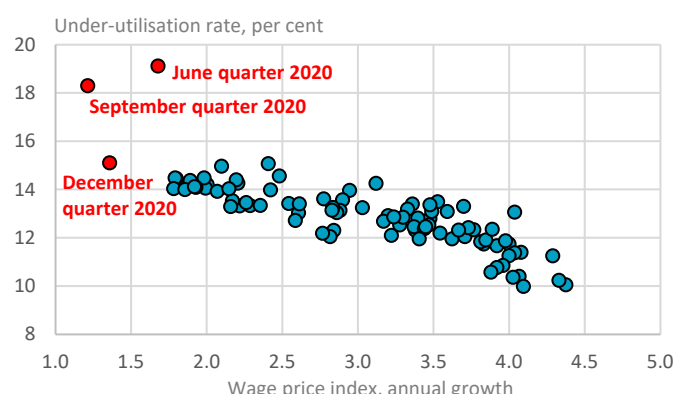
The participation rate is the share of the population (aged 15+) in the labour force – which comprises people who are either employed or looking for work (that is, unemployed). While participation is back to around pre-crisis levels, the unemployment rate (% of labour force) is still higher than before the crisis – equivalent to about 100,000 people.

Some mis-matches in supply and demand for labour ...



This chart tracks the vacancy/unemployment rate combination for each quarter since 1993.* Typically, an improving labour market exhibits a rising vacancy rate, coupled with a falling unemployment rate (vice versa for a deteriorating market). The COVID shock (red) was big for a single-quarter change, while the recovery (blue) points to the post-shock mis-matches in labour supply/demand in some industries.

... but total wage growth will remain low



Using 22 years of data, this chart shows that higher under-utilisation of labour (i.e. unemployed plus workers on reduced hours) is related to lower wage growth. While industry-specific labour shortages may lead to localised wage pressure, slack in the broader market suggests ongoing low total wage growth. This year, the scheduled rise in the SG may be the only increase in remuneration that many workers will get.

Sources for each panel: (1 & 2) ABS, *Job Vacancies*, February 2021; (3) ABS, *Weekly Payroll Jobs and Wages*, week ending 13 March 2021; (4) ABS, *Labour Force*, February 2021; (5) ABS, *Job Vacancies*, February 2021 and ABS, *Labour Force*, February 2021; (6) ABS, *Wage Price Index*, December 2020 and ABS, *Labour Force*, February 2021. *Note: the ABS suspended its vacancy rate survey during the GFC, so there is no data for the period between May 2008 and November 2009.