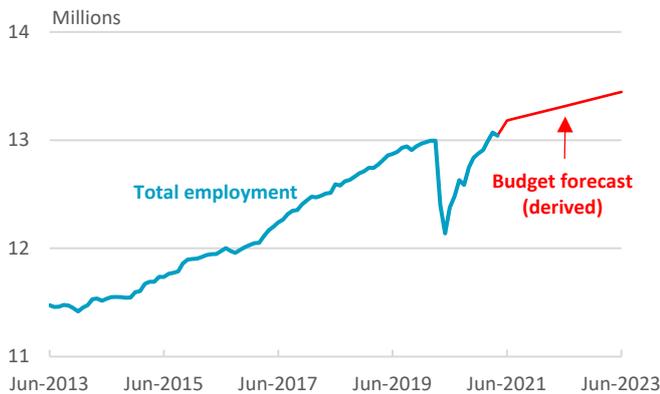


ASFA Economic Snapshot: week ending 21 May

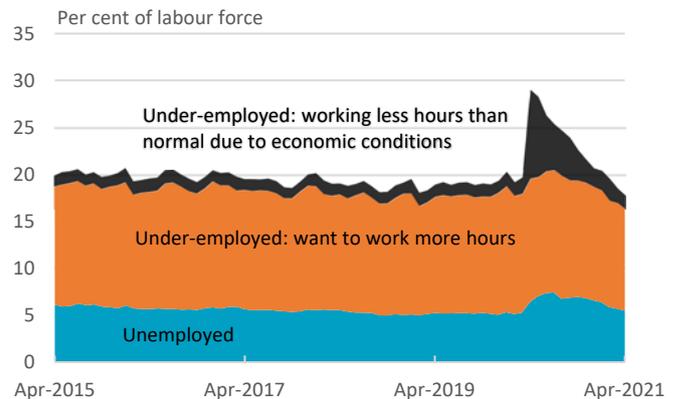
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Labour market shrugs-off end of JobKeeper



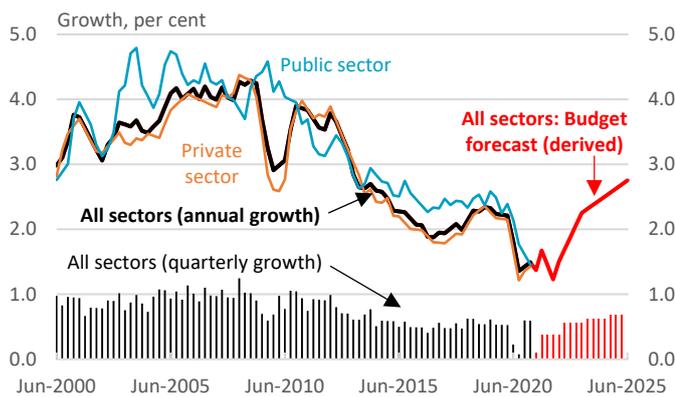
The end of JobKeeper (on 28 March) has not had a large, discernible impact on the labour market. Employment fell by 30,600 in April, which is not inconsistent with the typical month-to-month variation. While employment will need to rise by 140,000 over the next 2 months to hit the Budget forecast for mid-2021, the forecast to mid-2023 implies an average monthly rise of 16,000 (long-run average is 17,000).

Spare capacity continues to diminish



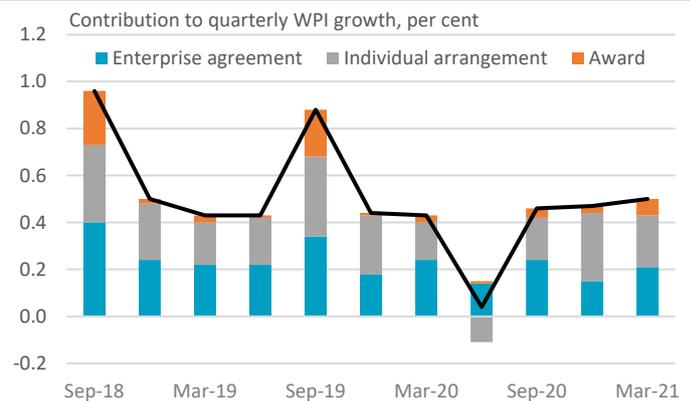
While employment fell in April, so did unemployment (the labour force shrank in April). The unemployment rate (blue) fell from 5.7 to 5.5% (pre-crisis rate was 5.2%). Also, the share of the labour force working reduced hours (black) fell from 1.5% to 1.4% (pre-crisis rate was 1.3%). That said, even prior to the crisis, 12% of the labour force, while not on reduced hours, wanted more work (orange). This share persists.

Delayed wage rises realised ...



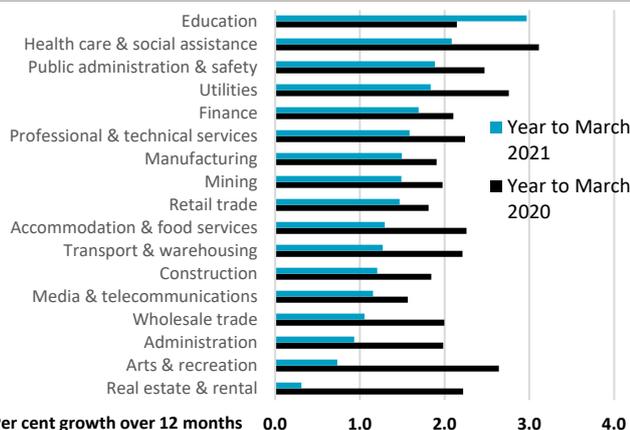
The Wage Price Index (WPI) incorporates wages for about 18,000 jobs. For all sectors combined, the WPI rose by 0.6% in the March quarter (black bars) as wage rises that had been delayed due to the crisis for some workers on individual agreements were realised (Panel 4). While WPI growth is expected to exceed pre-crisis rates eventually (red bars and line), spare capacity (Panel 2) will ensure a protracted recovery.

... for some workers on individual arrangements ...



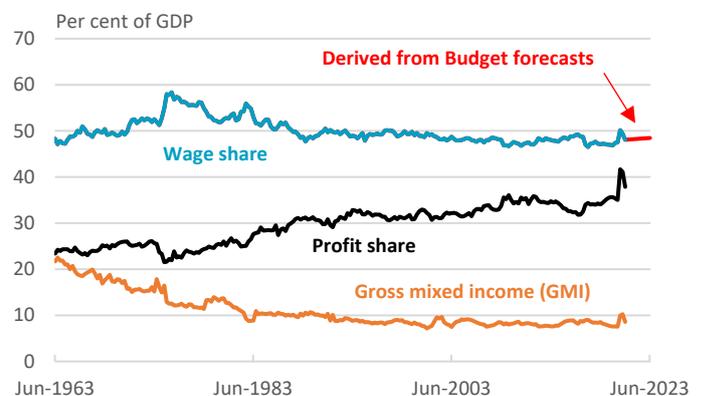
This shows contributions to quarterly WPI growth, by pay-setting.* Wages set by individual arrangement (grey) tend to be more reactive to business conditions – where these are now improving, employers are revisiting wage reviews that had been on hold. Public sector wage freezes are reflected in the lower contribution to overall growth from enterprise agreements (blue), and low annual growth (Panel 3, blue).

... while private-sector wage growth remains uneven



While wages for the private sector as a whole rose by 1.4% over the year to the March quarter (Panel 3, orange), this chart shows that wage growth across private sector industries has been very uneven (blue), reflecting differences in business conditions and spare capacity.

The wage share to remain low



This chart shows the share of GDP accruing to labour (wage share, which includes SG contributions), and owners of capital (profit share). GMI accrues to owners of unincorporated businesses. The Budget forecast for (low) wage growth suggests that the wage share will remain at low levels, and there is scope for increases in the SG rate.

Sources for each panel: (1 & 2) ABS, *Labour Force*, April 2021; Commonwealth of Australia, *Budget 2021-22*; and ASFA calculations; (3 to 5) ABS, *Wage Price Index*, March 2021; Commonwealth of Australia, *Budget 2021-22*; and ASFA calculations (6) ABS, *National Accounts*, December 2020; Commonwealth of Australia, *Budget 2021-22*; and ASFA calculations. * Quarterly growth rates in Panel 4 differ from those in Panel 3 as the latter is adjusted for seasonality.