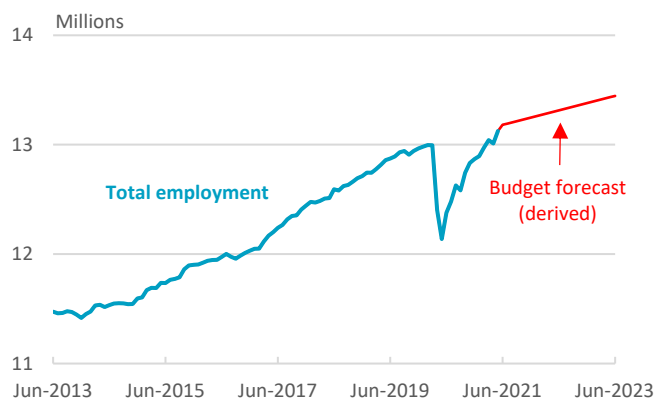


ASFA Economic Snapshot: week ending 18 June 2021

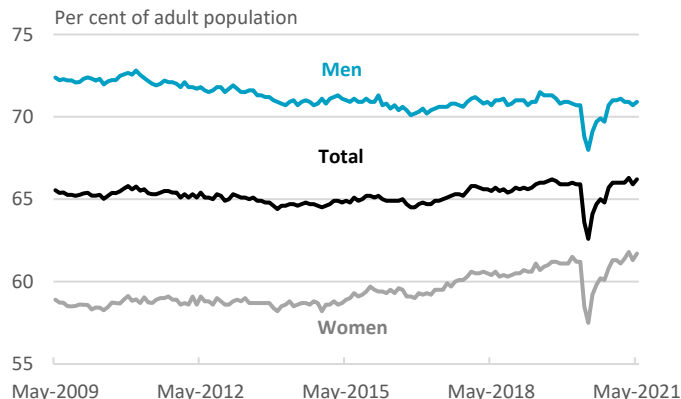
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Employment continues to surprise



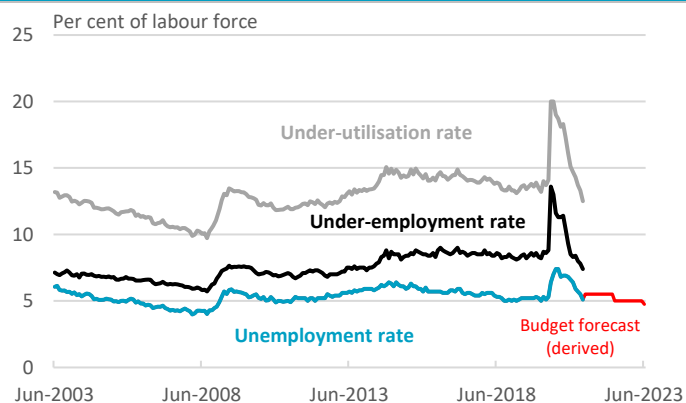
Total employment in the Labour Force Survey increased by 0.9% in May, and is now about 1% higher than before the crisis. Employment is running ahead of the recent Budget forecasts – which now imply monthly growth of only 0.1% over the next 2 years. That said, the ongoing risk of lock-downs if more COVID-19 cases emerge, reminds that uncertainty around the economic outlook remains elevated.

Near-record participation in the labour force



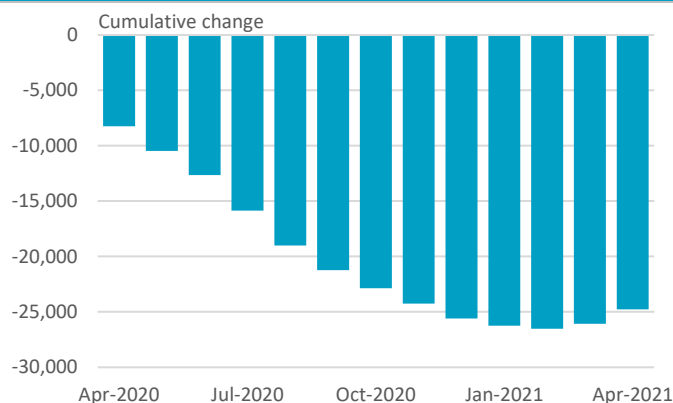
The participation rate is the share of the population (aged 15+) in the labour force – which comprises people who are either employed or looking for work (that is, unemployed). The participation rate reached 66.2% in May, which is just shy of the record (66.3%), and at the upper limit of the Budget forecasts (66%). Female participation – which reached record highs prior to the crisis – continues to rise.

Spare capacity now lower than before the crisis ...



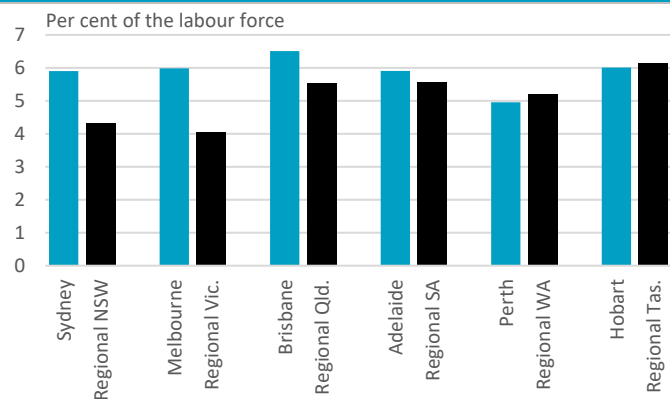
Spare capacity in the labour force comprises people who are unemployed, plus workers who want to work more hours (under-employed). In May, unemployment fell to 5.1%, which is not only below pre-crisis rates (5.2%), but also well below the Budget forecast for June 2021 (5.5%) and just above the forecast for June 2022 (5%). Under-employment (now 7.4%) is at its lowest rate since April 2013.

... exacerbated by loss of non-resident workers



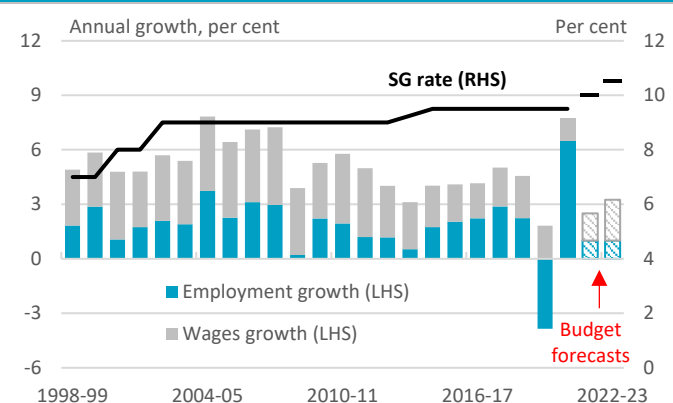
This chart shows estimates of the cumulative *net* loss of non-resident workers (arrivals *less* departures) since the start of the crisis. The net loss of these workers – mainly during the height of the crisis – means that the labour market has become tighter earlier (than otherwise would have been the case) in the recovery. Without the loss of these workers, unemployment in May would have been about 5.3%.*

Wage pressure where spare capacity is lower



This chart shows unemployment rates for the major states. Wage pressures will become increasingly prevalent as the labour market tightens, particularly in locations where spare capacity is already limited, and with respect to certain job types (including where this relates to reduced non-resident workers – such as in hospitality).

Wage growth and SG rises will drive contributions



Drivers of growth in compulsory super contributions include changes in the SG rate, and growth in employment and wages. Employment growth has bounced back in FY2020-21. Looking ahead, the SG is scheduled to rise to 10.5% at the start of 2022-23 (and to 12% in 2025), while the Budget forecasts likely under-state growth in wages.

Sources for each panel: (1 to 4) ABS, *Labour Force*, May; Commonwealth of Australia, *Budget 2021-22*; and ASFA calculations. (4) ABS, *Overseas Arrivals and Departures*, April and ASFA calculations; (5) ABS, *Labour Force - detailed*, April; (6) ABS, *Labour Force*, May; ABS, *Wage Price Index*, March; Commonwealth of Australia, *Budget 2021-22*; and ASFA calculations. * This figure assumes that the non-resident workers would have displaced resident workers, and that these would have remained in the labour force – i.e. unemployed.