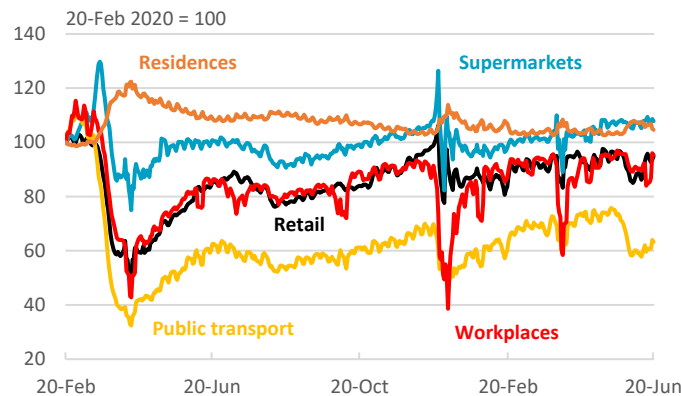


ASFA Economic Snapshot: week ending 25 June 2021

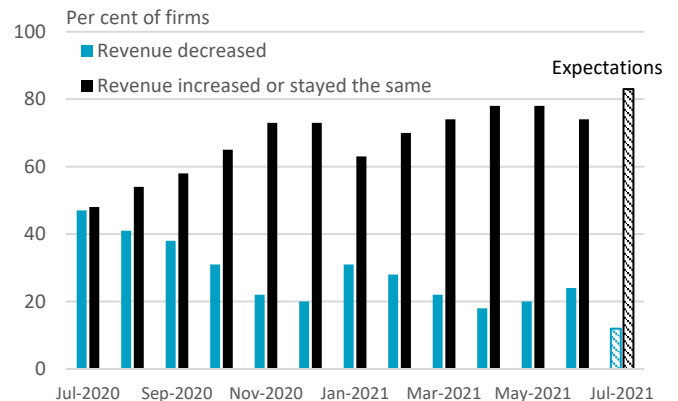
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Activity patterns in the economy almost back to normal



This shows aggregated metrics for the number of visits/ time stayed at locations by individuals. For Australia, retail activity is back to near pre-crisis levels. The decline in residential activity and rise in workplace activity indicates a slow normalisation of work arrangements. This week's re-establishment of (soft) lock-downs in NSW will see a small drop in some metrics that, based on previous episodes, will rebound.

More businesses getting higher revenues



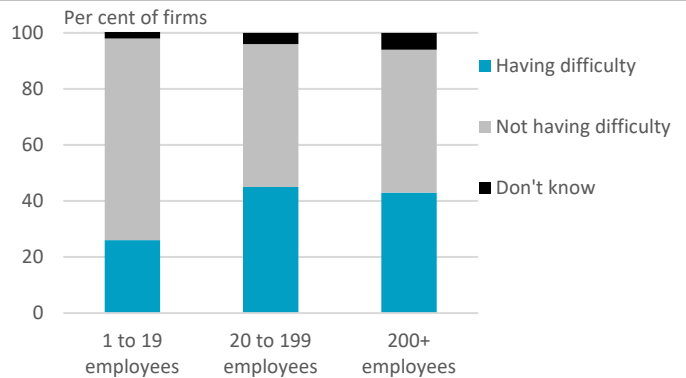
This shows the share of firms for which revenue has risen or remained the same each month, and the share for which revenue fallen. It suggests a stark improvement in business conditions over the past year. This is consistent with other data – for March quarter 2021, total profits (National Accounts basis) were up 8% from the end of 2019. Note, expectations for July were reported prior to NSW lock-downs.

More businesses want to hire extra workers ...



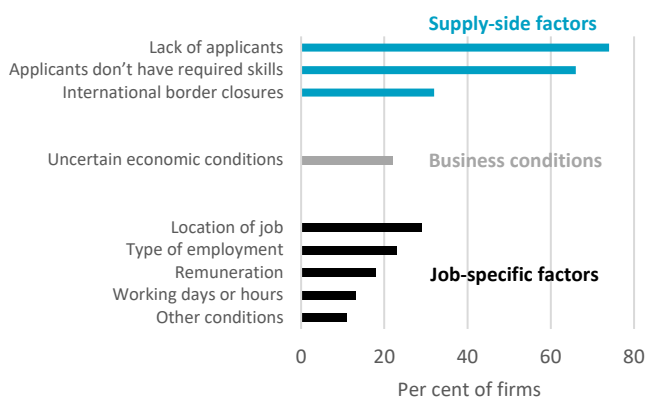
This chart shows the share of firms reporting a rise in the number of workers each month, and the share of firms expecting an increase in the next month. The upward trend for expectations in particular points to the ongoing rise in the demand for labour. Other data show that about 750,000 jobs (net terms) have been created since mid-2020.

... but many having trouble attracting staff ...



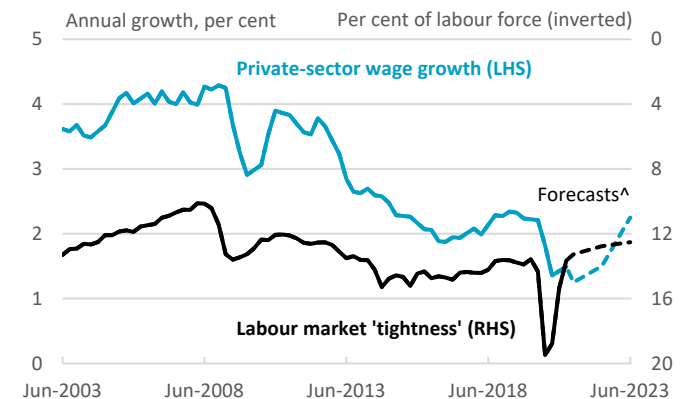
During June, about one quarter (27%) of all firms reported they were having difficulty finding suitable staff to fill jobs. In terms of firm size, medium (45%) and large firms (43%) were more likely to have difficulty, compared with small business (26%). This suggests that business conditions are *relatively* better for large and medium firms.

... mainly due to lack of suitable applicants



For firms that were having difficulty finding suitable staff in June, the most widely-reported constraints related to the number of, or the skills of, job applicants (note, firms could report multiple constraints). This includes lack of access to potential employees from other countries. These supply-side constraints outweighed those related to concerns of job applicants around conditions and alike (black bars).

A tightening labour market will boost wage growth



Wage growth tends to be higher when the labour market is 'tighter' (measured as the inverse of labour under-utilisation*). Business indications of a tightening labour market (Panels 3 to 5) are consistent with the recent rise in the aggregate 'tightness' metric (Panel 6). Looking ahead, the combination of ongoing employment growth and an expected^ pick-up in wage growth will help drive SG contributions.

Sources for each panel: (1) Google, *COVID-19 Community Mobility Reports*; (2 to 5) ABS, *Business Conditions and Sentiments*, June 2021; (6) ABS, *Wage Price Index*, March 2021; ABS, *Labour Force*, May 2021; Commonwealth of Australia, *Budget 2021-22*; and ASFA calculations. * The under-utilisation rate equals the unemployment rate plus the under-employment rate (i.e. workers who want to work more hours). ^ Derived from Commonwealth of Australia, *Budget 2021-22*.