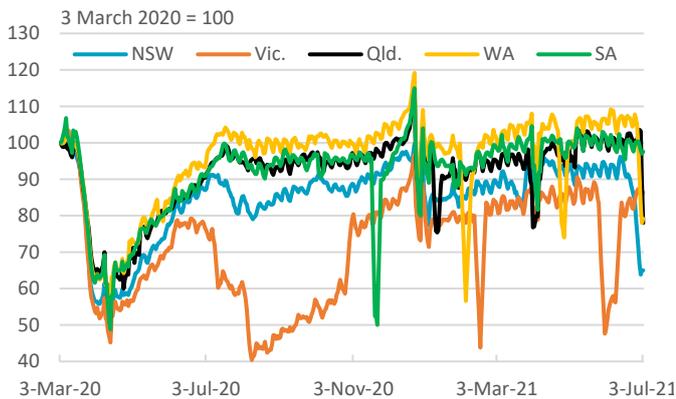


ASFA Economic Snapshot: week ending 9 July

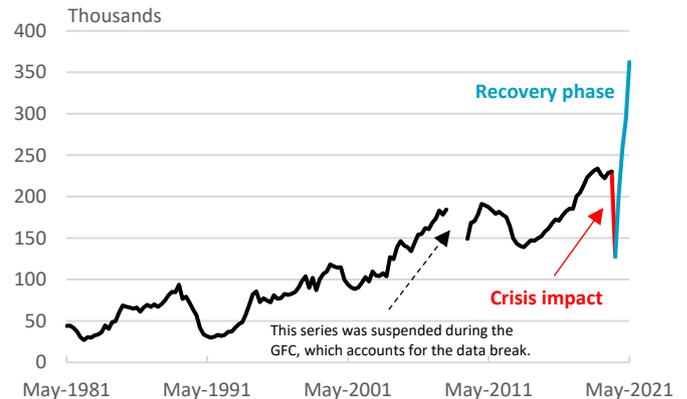
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

Recent lock-downs are affecting activity (for now)



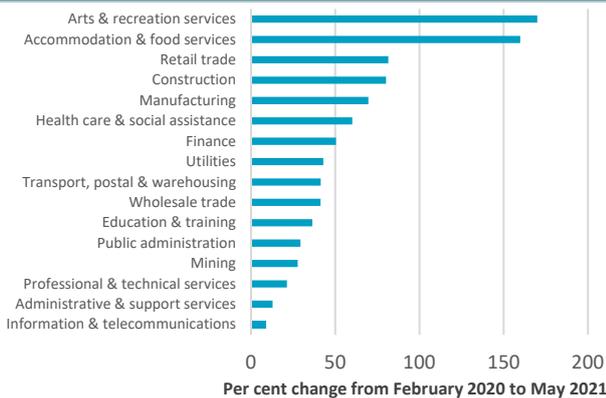
This shows aggregated metrics for visits/time-stayed by people at retail and recreation facilities (ex. supermarkets). The recent COVID restrictions for Sydney, and for parts of Queensland and WA impacted activity (though restrictions have since eased in the latter two states). While future, localised restrictions are likely to occur, only protracted lock-downs would be expected to have significant economic effects.

Job vacancies have risen sharply in total ...



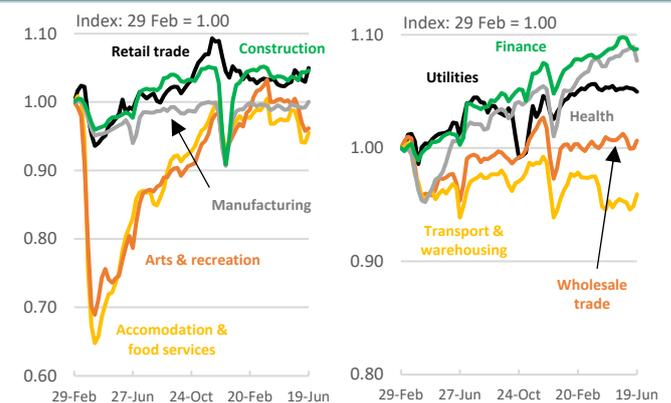
Typically, a rise in vacancies suggests improving business conditions. Following a sharp drop in the early stages of the crisis (red), vacancies have risen sharply – which reflects a rise in the demand for labour from firms, coupled with labour shortages in some industries (Panel 3). Firms were surveyed in May, so responses incorporate the impact of the end of JobKeeper (on 28 March), but not the recent lock-downs.

... and across all industries



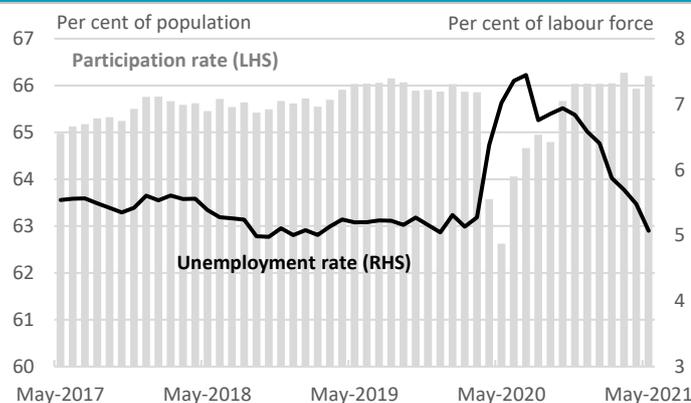
That the number of job vacancies is higher than a year ago in all major industries suggests a broad pick-up in labour demand. Unusually, during this crisis, the supply of foreign workers contracted. This has exacerbated labour shortages in a few industries, particularly in *Construction* and *Accommodation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

Employment affected by labour shortages in some industries



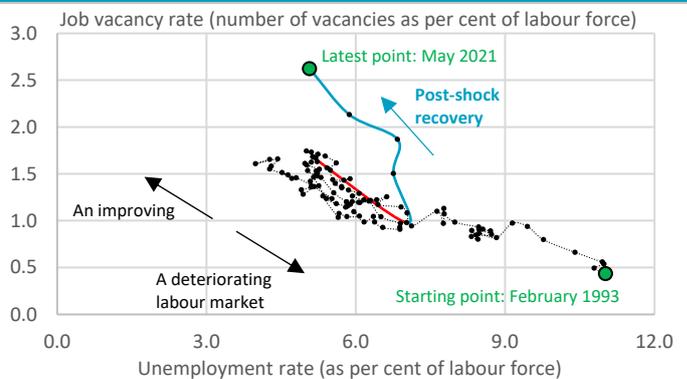
This shows the number of jobs in the 10 industries with largest annual rises in vacancies (Panel 3). While a broad pick-up in labour demand suggests similarly broad increases in employment ahead, labour shortages will affect job creation – for example, in *Accommodation & food services* (less foreign workers), but also in some industries where strong demand means firms are having trouble finding the right staff.

The labour market is tight ...



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). Rates for participation and unemployment are back to pre-crisis levels. The tightening market suggests a pick-up in wage growth (also boosting SG contributions).

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



This chart tracks vacancy/unemployment rate combinations 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, while the recovery (blue) points to the post-shock mis-matches in labour supply/demand that will add to wage pressures.

Sources for each panel: (1) Google, *COVID-19 Community Mobility Reports*; (2 & 3) ABS, *Job Vacancies*, May 2021; (4) ABS, *Weekly Payroll Jobs and Wages*, week ending 19 June 2021; (5) ABS, *Labour Force*, May 2021; (6) ABS, *Job Vacancies*, May 2021 and ABS, *Labour Force*, May 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.