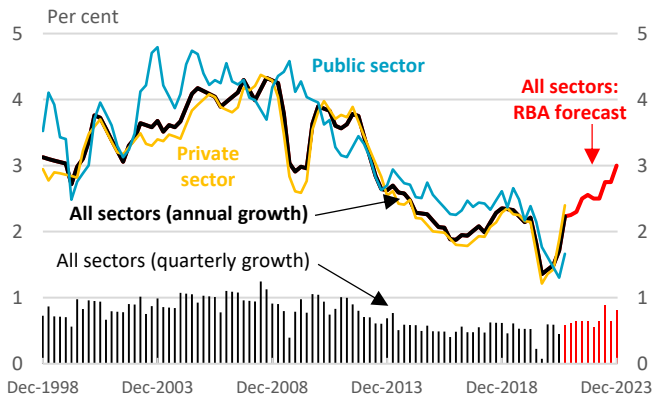


# ASFA Economic Snapshot: week ending 19 November 2021

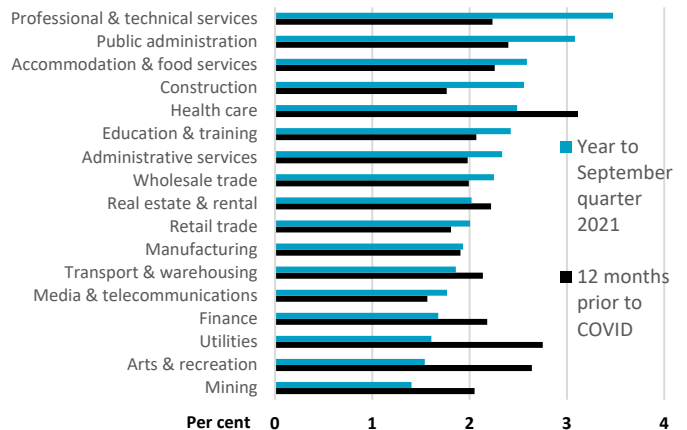
This is a weekly update on the impact of the COVID-19 pandemic on financial and economic conditions, in Australia and globally, and government policy measures to support economic activity and employment.

## Total wage growth up in the September quarter ...



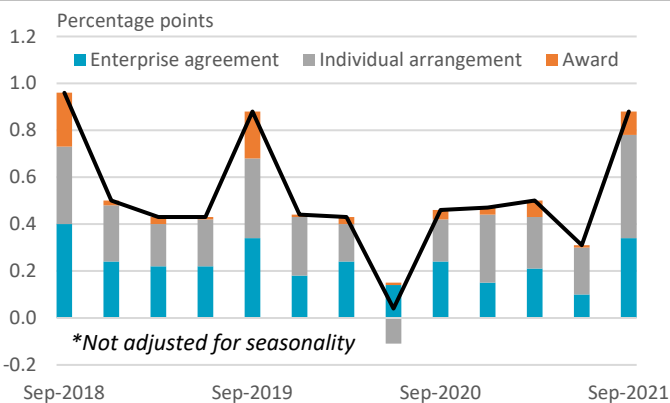
The Wage Price Index includes wages for about 18,000 jobs. For the year to September quarter 2021, average wage growth for the private sector (yellow) rose to 2.4%. The latest RBA forecast (all sectors) shows growth rising to above pre-crisis rates by mid-2022, as the economic recovery soaks up spare capacity in the labour market. That said, the end of the forecast period implies growth rates not seen in a decade.

## ... and across much of the private sector ...



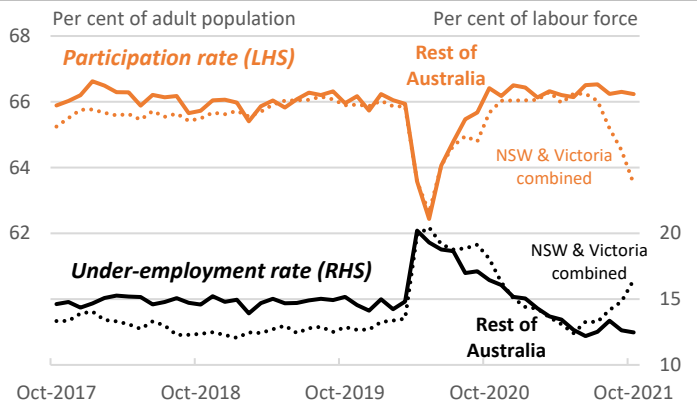
For the private sector, this chart compares WPI growth for the year to the September quarter 2021 (blue) with growth for the year prior to the initial COVID shock (black). For some industries, growth is now above pre-crisis rates – where conditions were relatively unaffected by the Delta-COVID shock, or where labour shortages have emerged.

## ... including for workers on individual arrangements



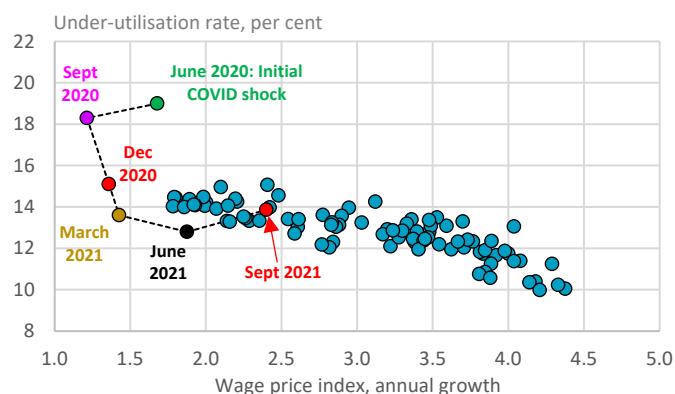
This chart shows contributions to quarterly WPI growth by pay-setting method (not seasonality adjusted)\*. Wages set by individual arrangement tend to be more reactive to business conditions, which are improving – employers are revisiting wage reviews that had been on hold. The SG rate rose from 9.5 to 10% on 1 July 2021, with no apparent evidence of any appreciable offset to wage growth.

## Elevated labour market slack in NSW & Victoria will fall ...



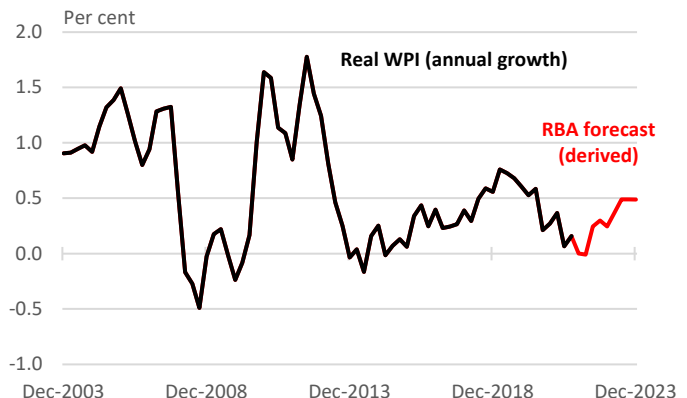
The Delta-COVID shock largely affected NSW and Victoria. As business conditions improve in those states, labour market slack will diminish. Previously-discouraged jobseekers will re-enter the labour market, which will boost participation. Rising employment will tend to reduce labour under-utilisation (which includes people who are looking for a job as well as current employees who want to work more hours).

## ... so nominal wage growth will increase ...



This is a version of the 'Philips curve'. Using 20 years of data, it shows that higher under-utilisation is related to lower growth in private-sector wages. Following the initial COVID shock, under-utilisation has declined and wage growth has risen (albeit to still-low rates). Looking ahead, tighter labour markets will see wage pressures rise.

## ... with real wage growth remaining low



This chart shows all-sector WPI from Panel 1, adjusted for inflation.<sup>^</sup> The shock to wage growth, coupled with moderate inflation, has seen real wage growth drop to near zero. With the RBA expecting moderate inflation over the next 2 years (plus risks of elevated inflation from supply chain constraints), real wage growth is expected to remain low.

Sources for each panel: (1) ABS, *Wage Price Index*, September 2021; RBA, *Statement of Monetary Policy*, November 2021; and ASFA calculations; (2 to 3) ) ABS, *Wage Price Index*, September 2021; (4) ABS, *Labour Force*, October 2021; (5) ABS, *Wage Price Index*, September 2021 and ABS, *Labour Force*, October 2021; (6) ABS, *Wage Price Index*, September 2021; RBA, *Statement of Monetary Policy*, November 2021; and ASFA calculations. \* Growth is not adjusted for seasonality, so it differs from Panel 1. ^ Using trimmed-mean CPI.