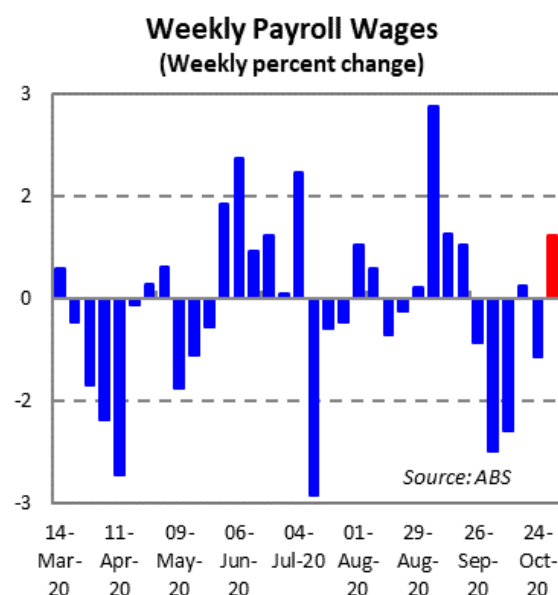
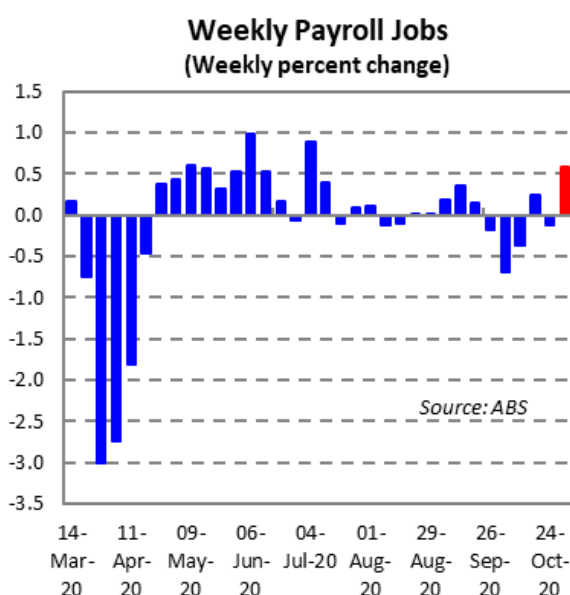


Tuesday, 17 November 2020

Weekly Payroll Wages & Jobs

Bumpy Road to Recovery

- Payroll jobs and total wages paid showed signs of recovery in the fortnight ending October 31. Victoria's rebound in jobs and total wages paid over the fortnight underpinned this recovery. However, today's results also illustrate how fragile and bumpy the road to recovery is expected to be.
- Payroll jobs increased 0.5% over the fortnight to October 31, after a 0.1% fall in the previous fortnight. Total wages paid by companies rose a timid 0.1%, following a 1.7% decline in the fortnight ending October 17.
- The level of payroll jobs in the fortnight to October 31 was 3.1% lower than on March 14, when Australia recorded its 100th confirmed COVID-19 case. Total wages fell to 4.3% below the March 14 base, relatively unchanged from the previous fortnight (negative 4.4%).
- The encouraging results for payroll jobs came mostly from Victoria despite the survey not capturing the full extent of their easing of restrictions. Victoria registered a 1.0% increase in payroll jobs in the survey fortnight. However, the State is still the weakest performer in relation to the March 14 base date, being 6.0% below pre-COVID levels.
- Industry-wise, the biggest contributors for the fortnightly increase included education and training (3.1%) and retail trade (2.7%). Relative to March 14, all industries remain below pre-COVID levels, except financial and insurance services (3.4%), public administration (3.0%) and health care and social assistance (1.3%).



Payroll jobs and wages showed signs of recovery in the fortnight ending October 31. Victoria's rebound in jobs and total wages over the fortnight underpinned this recovery. However, today's results also illustrate how fragile and bumpy the road to recovery is expected to be.

Payroll jobs increased 0.5% over the fortnight to October 31, the biggest fortnightly jump since mid-September. This is an encouraging sign given the disappointing results registered in the fortnight ending October 17 (down 0.1%) and October 3 (negative 0.9%).

The level of payroll jobs in the fortnight to October 31 was 3.1% lower than on March 14, when Australia recorded its 100th confirmed COVID-19 case. There has been a recovery in payroll jobs but the road to recovery will be long. The NSW budget released today is projecting that the unemployment rate in NSW will fall to 5.5% by June 2024. The Reserve Bank of Australia holds a similar view.

Total wages paid by companies rose a timid 0.1%, from a 1.7% decline in the fortnight ending October 17. Total wages paid fell to 4.3% below the March 14 base, relatively unchanged from the previous fortnight (negative 4.4%).

States

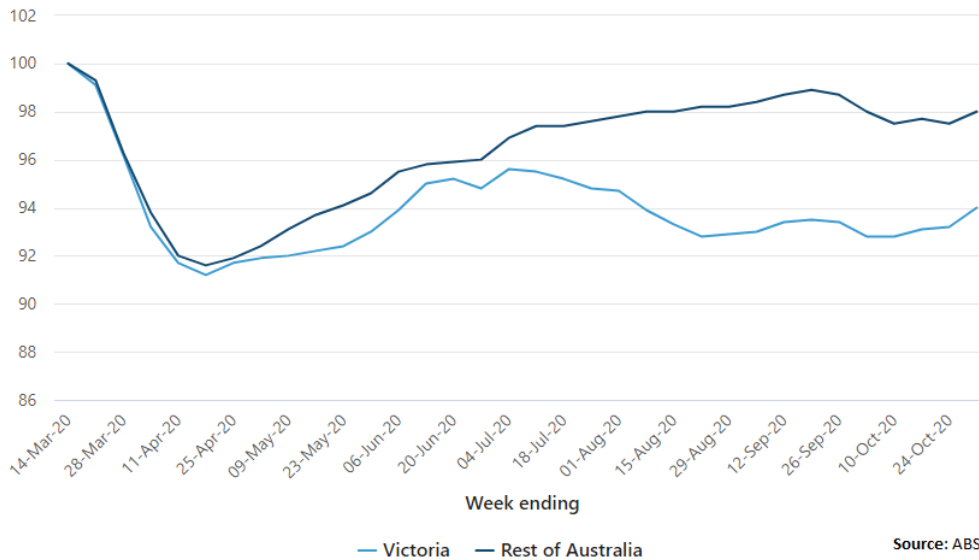
All States and territories recorded job gains in the fortnight, except Tasmania.

Victoria was the best performer, reflecting, in part, the easing of restrictions announced in mid-October and its success in containing infection numbers. Restrictions were eased in late October and are not fully captured in this survey. Payroll jobs in Victoria climbed 1.0% in the fortnight, after a 0.3% increase in the fortnight ending October 17.

Victoria's solid result was followed by Western Australia, with a 0.5% increase. NSW, South Australia and the Northern Territory all recorded a 0.4% lift in payroll jobs. Tasmania recorded a 0.1% loss in payroll jobs in the fortnight ending October 31.

Despite the positive results in the most recent fortnight, Victoria remains the weakest performer in relation to the March 14 base, with payroll jobs being 6.0% below pre-COVID levels. Tasmania is the second weakest at 4.6% below the March 14 base, followed by NSW (down 2.6%), the ACT (negative 2.4%) and Queensland (minus 2.0%).

The ABS graph below illustrates Victoria's difficulties relative to the rest of Australia. Victoria's second lockdown (announced in June/July) negatively affected its labour market, relative to the rest of the country.

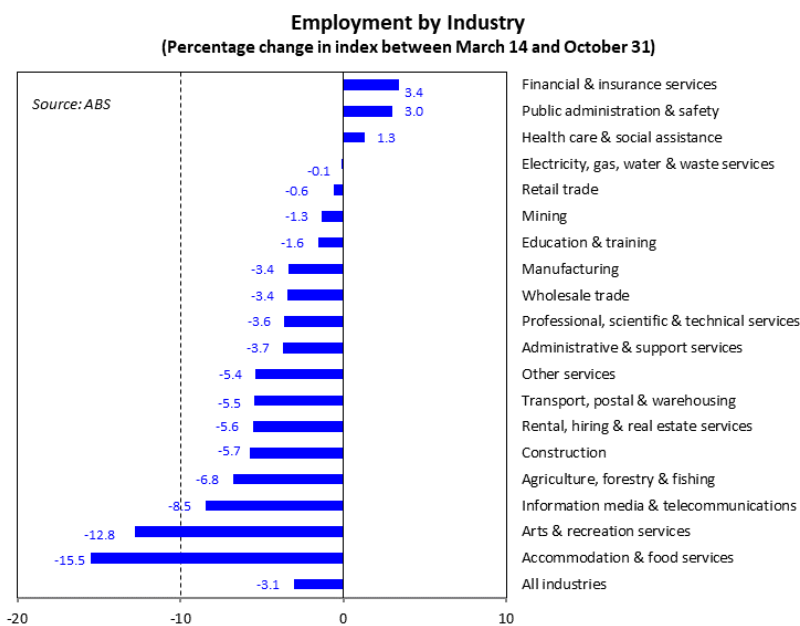


In terms of total wages paid, Western Australia recorded a 1.0% lift, followed by Victoria’s rebound of 0.9% in the week ending October 31. Queensland and NSW saw declines in total wages paid of 0.8% and 0.5%, respectively. From March 14, Tasmania recorded the largest decline in total wages paid (5.5%), followed by NSW (5.2%) and Victoria (4.8%).

Industries

Industry-wise, the biggest contributors for the fortnightly increase in payroll jobs included education and training (3.1%) and retail trade (2.7%).

Relative to March 14, all industries remained below pre-COVID levels, except financial and insurance services (3.4%), public administration (3.0%) and health care and social assistance (1.3%). In terms of job losses, the sectors hurt most by the pandemic continue to be accommodation and food services (down 15.5%) and arts and recreation services (down 12.8%).



Outlook

Labour market conditions have been improving since the pandemic started but they remain subdued.

Last week, the National Australia Bank (NAB) survey of employment intentions for October was released. The survey suggested that businesses are not willing to increase headcount as spare capacity in the labour market remains elevated. The Reserve Bank (RBA) in its latest Statement on Monetary Policy expects businesses to resume hiring only after total hours worked returns to pre-COVID levels.

On Thursday, the ABS will release the monthly labour force survey. Although not directly comparable to weekly payroll figures, the results observed today have not changed our expectations for the official labour market figures. We expect a loss of 30,000 jobs in October and a higher unemployment rate (7.2%).

The RBA's easing of monetary conditions in early November, coupled with State Budgets providing further economic stimulus, will support job creation going forward. The relative success in controlling new infections, easier domestic border restrictions and growing consumer confidence in November should also help.

On the downside, ongoing border closures, social distancing and restrictions on gatherings continue to constrain job creation and total wage growth.

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