

Economics Weekly

This week's economic highlights

- The ABS Wage Price Index shows that wage growth has returned to pre-COVID levels, rising by 2.4% p.a. in the March quarter. This remains below currently high inflation levels, but The RBA expects wage growth to accelerate in line with tight labour market in the future.
- Labour markets continue to tighten, with 3.9% national unemployment a record low. The labour force participation rate is also at an all-time high. This indicating historically tight labour markets, due to buoyant economic conditions and an absence of inward migration during the pandemic.
- The 2022-23 Federal Budget focused on addressing the rising cost of living, in light of the ongoing COVID-19 challenges and geopolitical uncertainty by allowing retirees to now leave more money in their super and introducing the Your Future, Your Super reforms.

Australian economic developments

ABS Wage Price Index (WPI) indicate that in Q1 of 2022:

- Average wages as measured by the Wage Price Index rose by 0.7% q/q and 2.4% p.a. in the period to the end of the March quarter (Q1) of 2022 and remained virtually unchanged from the previous quarter. Annual WPI inflation (2.4%) was weaker than underlying CPI inflation (3.7%) (chart 1), both remained lower than the headline CPI rate of 5.1% in Q1. This gap indicates a fall in real wages. Wage inflation had been stronger than inflation in most quarters since the GFC, however since December 2021 inflation has been stronger than wage growth. The WPI measures wages paid before tax and transfers and does not include the effects of tax cuts on after-tax incomes. It also does not include the increase in the Superannuation Guarantee from 9.5% to 10% that became effective on 1 July 2021.
- Private sector wages rose by 0.7% q/q (2.4% p.a.) and public sector wages rose by 0.6% q/q (2.2% p.a.) in Q1 (seasonally adjusted) (chart 2). For the private sector, the ABS noted that "*Regular annual wage and salary reviews drove wage growth for the sector, with a small number of larger increases paid to retain and attract in-demand skilled workers.*"
- Across industries, private sector wage inflation in Q1 of 2022 was strongest in IT, media & telecommunications (+0.8% q/q), administrative services (+0.8% q/q), education & training (+0.8% q/q) and arts & recreation services (+0.8% q/q) (chart 4). Annual wage growth was strongest in rental & real estate (+3.1% p.a.), manufacturing (+2.7% p.a.), professional services (+2.7% p.a.) and arts & recreation (+2.7% p.a.). For more details see charts 1 to 4 and our [Factsheet](#).

Updates to the superannuation system from AustralianSuper

As an addition to this edition of the Economics Weekly, we include a link to **recent updates to the superannuation system** from AustralianSuper.

The 2022-23 Federal Budget laid out the Federal Government's economic and fiscal policy for the year ahead. This year's budget focused on addressing the rising cost of living, in light of the ongoing COVID-19 challenges and geopolitical uncertainty.

AustralianSuper observes that there are a few budgetary and legislative developments concerning super to note:

- The Government has extended the Minimum Drawdown measure introduced in March 2020, allowing retirees to now leave more money in their super.
- The legislative updates include changes to the super system with the introduction of the Your Future, Your Super reforms.
- From July 1, 2022, there are a few measures from previous legislation that will come into effect, including increasing the Super Guarantee Rate for eligible workers, and removing the \$450 monthly income threshold from Superannuation Guarantee eligibility.

There are also a number of additional **financial measures outside of superannuation**, that aim to offset rising costs of living. These include schemes such as Home Equity Access and the Low to Middle Income Tax Offset. The Budget has also introduced a range of measures aimed at strengthening the economy – including a number of financial tactics designed to invigorate businesses.

The full list of changes and detailed information can be found [at this page](#).

Latest Australian labour market data

The monthly ABS Labour Force Survey showed **further improvements in employment and work hours** in April 2022:

- **Employment increased in April 2022, with 4,000** more employed persons (+0.0% m/m) and is the sixth consecutive month of increase (chart 5). The total number of employed persons across Australia (13.4 million) is higher than prior to the COVID-19 pandemic with employment now 3.1% higher than in March 2020.
- **The increase in employment (m/m) was concentrated** in the Northern Territory (+2.2% m/m), Victoria (+0.3% m/m) and NSW (+0.2% m/m). Employment fell in South Australia (+0.6% m/m), Queensland (-0.5% m/m), Tasmania (-0.5% m/m) and Western Australia (-0.1% m/m).
- **The participation rate dropped to 66.3%** of the adult population (aged 15 years and over), relatively maintaining the new high for the data series recorded in February 2022 (chart 6). The participation rate rose only in the NT and Victoria but fell in all other states and territories with the largest decrease in participation in Tasmania and South Australia.

- Although a rise in the proportion of people working reduced hours was reported due to illness in April, the **underemployment rate** dropped to 6.1% nationally and 5.5% in NSW. Underemployment is where a person is working but is willing and able to work more hours. The ABS notes that “Around 740,000 people worked reduced hours in April because of illness, almost double what we usually saw in April before the pandemic. Of these people, around 340,000 worked no hours, which was around triple what we would usually see.”
- Unemployment eased to 3.9%** of the active labour force (chart 7), with 537,100 people actively seeking work in April (11,000 fewer persons than in April). The ABS indicates that “3.9 per cent is the lowest the unemployment rate has been in the monthly survey. The last time the unemployment rate was lower than this was in August 1974, when the survey was quarterly”.
- The proportion of **employed people working full time** increased from 69% to 70% in April 2022. For males, the proportion in full-time employment rose from 81.2% to 81.9% and for females the proportion working full time increased from 55.8% to 56.4% over the same period (all data seasonally adjusted). This movement from part-time employment to full-time employment is also evident in the seasonally adjusted data on hours worked which is available in the same ABS publication. Monthly hours worked in all jobs across the workforce increased by 1.3% in April 2022 (chart 5).

Table 1: National labour market indicators, Apr 2022

Seasonally adjusted	Number	Change per month		Change per year	
	'000	'000 m/m	% m/m	'000 y/y	% y/y
Employed persons	13,402	4.0	0.0	381.5	2.9
Full-time persons	9,343	92.4	1.0	465.3	5.2
Part-time persons	4,059	-88.4	-2.1	-83.8	-2.0
Aggregate hours worked	1,832,535	22,959.9	1.3	49,706.7	2.8
Unemployed persons	537	-11.0	-0.1	-211.1	-1.6
Underemployed persons	852	-32.6	-0.2	-230.2	-1.7
Labour force	13,939	-7.0	-0.1	170.5	1.2
Adult civilian population	21,010	19.5	0.1	127.1	0.6
	Rate, %	Change per month, percentage points		Change per year, percentage points,	
Unemployment rate, %	3.9	-0.1		-1.6	
Underemployment rate, %	6.1	-0.2		-1.7	
Participation rate, %	66.3	-0.1		0.4	
Employment to pop ratio, %	63.8	-0.0		1.4	

Table 2: National youth labour market indicators (15-24 years), Apr 2022

Seasonally adjusted	Number	Change per month		Change per year	
	'000	'000 m/m	% m/m	'000 y/y	% y/y
Employed persons	1971.1	-3.5	-0.2	61.8	3.2
Full-time persons	900.7	13.1	1.5	95.2	11.8
Part-time persons	1062.9	-24.9	-2.3	-32.9	-3.0
Unemployed persons	189.7	10.4	5.8	-37.6	-16.5
Underemployed persons	308.6	4.0	1.3	-58.8	-16.0
Labour force	2157.2	-2.7	-0.1	23.6	1.1
	Rate, %	Change per month,		Change per year,	

		percentage points	percentage points,
Unemployment rate, %	8.8	-0.5	1.9
Underemployment rate, %	14.3	-0.2	2.9
Participation rate, %	70.7	-0.1	2.0

Table 3: State labour market indicators, Apr 2022

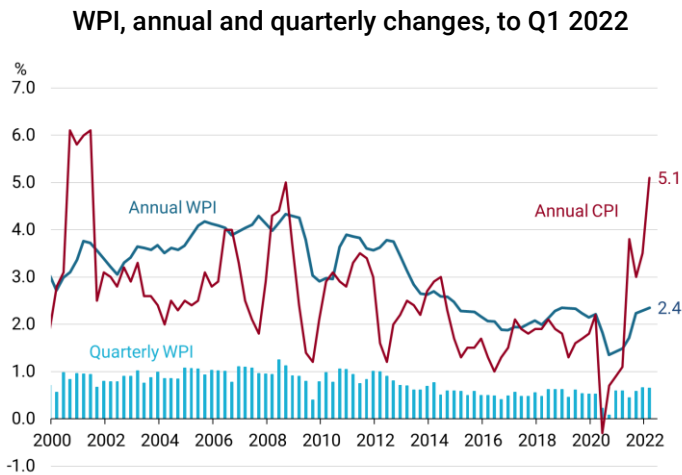
<i>Seasonally adjusted</i>	NSW	VIC	Qld	SA	WA	Tas
Employment level, 000	4221.0	3497.1	2706.2	878.8	1463.9	260.7
Employment change, '000 m/m	6.6	11.6	-14.8	-5.0	-1.9	-1.2
Employment change, % m/m	0.2	0.3	-0.5	-0.6	-0.1	-0.5
Unemployment rate, %	3.5	4.2	4.5	4.5	2.9	3.8
Underemployment rate, %	5.5	6.1	6.1	7.6	6.2	6.9
Participation rate, %	65.2	67.4	66.5	62.8	69.3	60.2

Table 4: State youth labour market indicators (15-24 years old), Apr 2022

<i>original data, 12-month average</i>	NSW	VIC	Qld	SA	WA	Tas
Unemployment rate, %	9.8	10.5	10.2	9.8	9.7	10.6
Participation rate, %	67.2	66.5	72.4	71.7	73.2	68.7

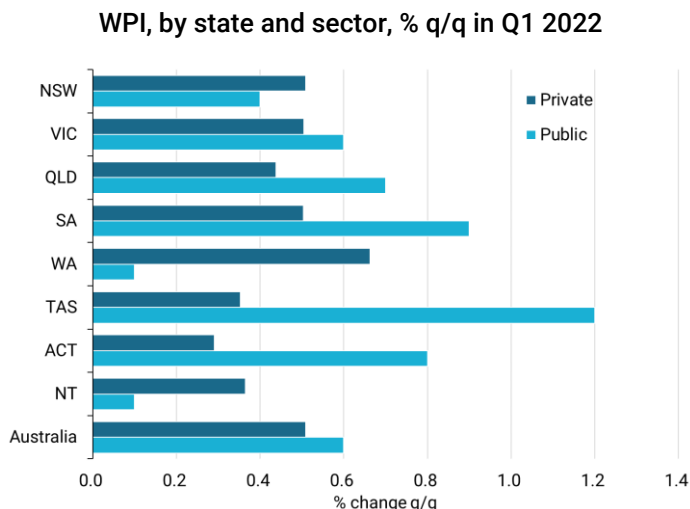
Source: ABS, *Labour Force Australia*, Apr 2022.

Chart 1: The ABS **Wage Price Index (WPI)** rose by 0.7% q/q and 2.4% p.a. in the March quarter (Q1) of 2022 (seasonally adjusted).



Source: ABS, Wage Price Index, Mar 2022.

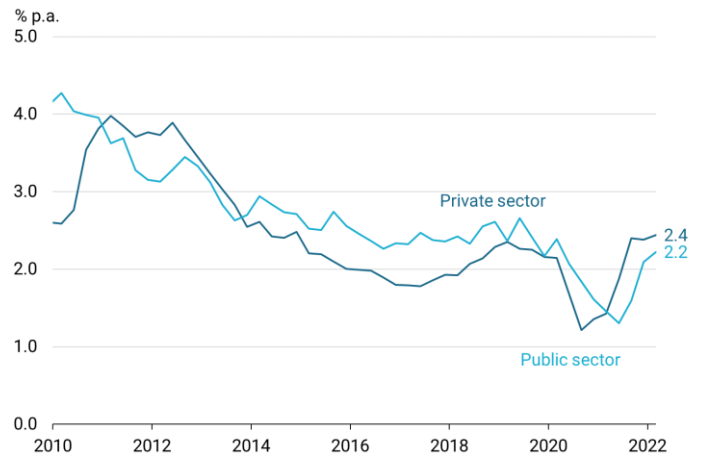
Chart 3: Across the states in Q1, **private sector wages** rose fastest in the WA (+0.7% q/q), NSW, Vic, and SA (all +0.5% q/q). Queensland and Tasmania had the smallest private sector wage rise (both +0.4% q/q) in Q1.



Source: ABS, Wage Price Index, Mar 2022.

Chart 2: **Wage increases** grew 2.4% across the private sector and 2.2% in the public sector in Q1 of 2022.

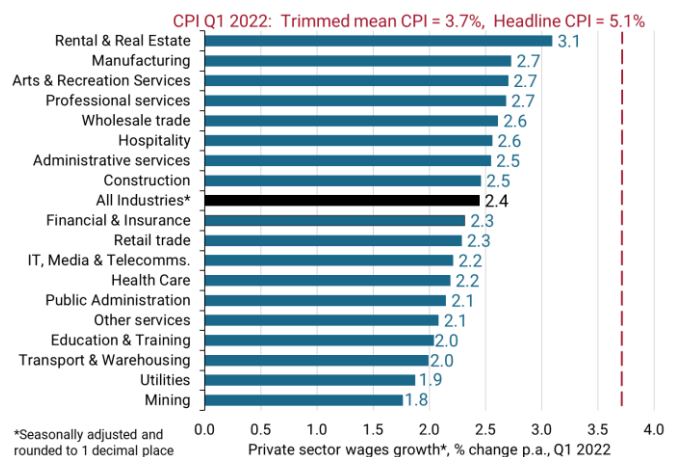
WPI private sector and public sector (annual change), to Q1 2022



Source: ABS, Wage Price Index, Mar 2022.

Chart 4: **Private sector wage inflation** in Q1 was below both trimmed inflation (3.7%) and headline CPI (5.1% p.a.) in all industries. The more market sensitive industries reported the highest growth, including real estate, manufacturing, construction, and services.

WPI in the private sector by industry, % p.a. in Q1 2022



Source: ABS, Wage Price Index, Mar 2022.

Chart 5: Employment and aggregate work hours improved in April 2022. Employment increased further by 0.0% (4,000 more employed persons), while aggregate work hours rose by 1.3% nationally in April.

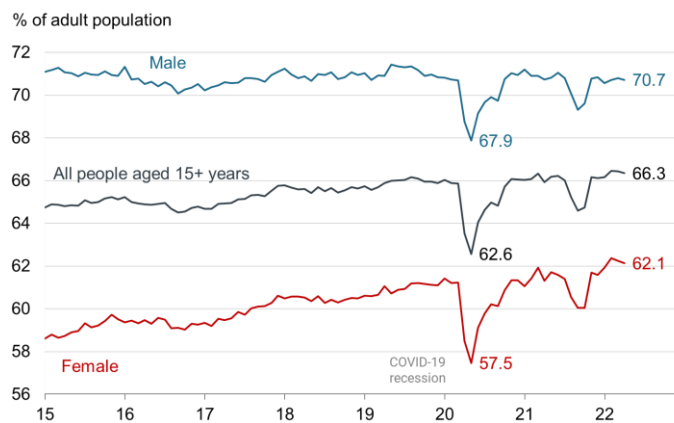
Total employment and work hours, 2015 to Apr 2022



Source: ABS, *Labour Force Australia*, Apr 2022

Chart 6: Labour force participation dropped to 66.3% of the adult population, relatively maintaining the new high for the data series recorded in February 2022 (66.4%). The participation rate of both adult male and female eased.

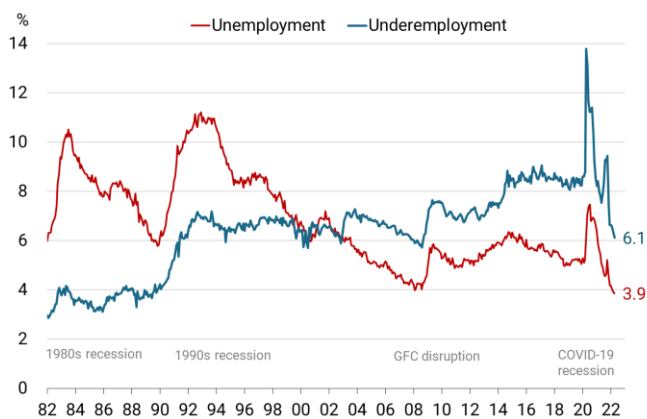
Participation rates by sex, 2015 to Apr 2022



Source: ABS, *Labour Force Australia*, Apr 2022

Chart 7: The unemployment rate fell to 3.9% of the active labour force, with 537,100 people actively seeking work in April. The **underemployment rate** dropped to 6.1%, similar to the rate in the period preceding the GFC in 2008 (the most recent low).

Unemployment and underemployment rates, 1982 to Apr 2022



Source: ABS, *Labour Force Australia*, Apr 2022

Chart 8: The youth employment to population ratio rose to 64.6% in April 2022, its highest level since 2008.

Youth employment to population ratio



Source: ABS, *Labour Force Australia*, Apr 2022.

This week's data and events 16 May – 20 May 2022

Day	Date	Data/event	Data period
Tue	17 May	ABS, Household Impacts of COVID-19 Survey	April 2022
Wed	18 May	ABS, Wage Price Index	March 2022
Thu	19 May	ABS, Labour Force	April 2022

Next week's data and events 23 May – 27 May 2022

Day	Date	Data/event	Data period
Tue	24 May	ABS, Job Mobility	February 2022
Tue	24 May	ABS, Participation, Job Search and Mobility	February 2022
Wed	25 May	ABS, Construction Work Done, Preliminary	March 2022
Wed	25 May	NSC, Internet Vacancy Index	April 2022
Thu	26 May	ABS, Labour Force Detailed	April 2022
Thu	26 May	ABS, Business Conditions and Sentiments	May 2022
Thu	26 May	ABS, Private New Capital Expenditure and Expected Expenditure	March 2022
Fri	27 May	ABS, Retail Trade	April 2022

Australian Industry Group monthly performance of industry indices

Australian Performance of Manufacturing Index®	April 2022	58.5 ▲
Australian Performance of Construction Index®	April 2022	55.9 ▼
Australian Performance of Services Index®	April 2022	57.8 ▲

Seasonally adjusted. Arrows represent direction of movement relative to last observation. Source: Ai Group.

Australian economy: latest annual growth rates and RBA forecasts (as of May 2022)

% change over the year	Jun 2021	Dec 2021	Jun 2022	Dec 2022	Jun 2023	Dec 2023	Jun 2024
Gross domestic product (GDP)	9.5	4.2	3.6	4.2	3.1	2.0	2.0
Household consumption	15.0	3.5	4.2	5.8	4.4	3.1	2.8
Dwelling investment	13.4	5.3	-1.4	4.3	5.7	2.6	1.4
Business investment	6.8	6.4	-0.2	5.0	8.3	8.0	5.5
Public demand	3.9	5.1	6.3	2.9	-1.1	-0.7	0.9
Gross national expenditure	13.7	5.0	3.4	4.2	2.9	2.3	2.3
Imports	16.1	1.0	3.6	11.3	6.4	5.2	4.8
Exports	-1.8	-2.6	4.6	10.2	7.3	3.6	3.1
Terms of trade	24.0	10.3	4.0	0.8	-13.2	-9.6	-6.5
Real household disposable income	17.7	3.7	4.7	0.9	-1.0	0.3	1.1
Unemployment rate (qtr average, %)	5.1	4.2	3.8	3.7	3.6	3.6	3.6
Employment	6.5	2.1	2.7	3.9	2.0	1.5	1.2
Average wage rates (WPI)	1.7	2.3	2.7	3.0	3.3	3.5	3.7
Trimmed mean inflation (CPI)	1.6	2.6	4.5	4.6	3.6	3.1	2.9
Headline inflation (CPI)	3.8	3.5	5.5	5.9	4.3	3.1	2.9

■ = actual. □ = forecast. Sources: ABS, various data; RBA 'baseline scenario' in *Statement on Monetary Policy*, May 2022.

Forecasts 4 May. Forecasts are conditioned on a path for the cash rate broadly in line with expectations derived from surveys of professional economists and financial market pricing and assume elements of the Bank's monetary stimulus are in line with the announcement made following the May 2022 Board meeting. Other forecast assumptions: TWI at 63, A\$ at US\$0.71 and Brent crude oil price at US\$101bbl. Assumed rate of population growth is broadly in line with the profile set out in the Aus Gov 2022/23 Budget.

Ai Group Research & Economics Team

Dr Jeffrey Wilson
Director

Aneeq Sarwar
Senior Economist

Dr Nike Adeoye
Economist

Colleen Dowling
Senior Research Analyst & Team Leader

economics@aigroup.com.au