

Economics Weekly

Australian economic developments

This week the Victorian Treasurer Tim Pallas said the latest lockdown in Victoria had cost the state \$1.3 billion in lost or deferred spending, wages, income and trade. Victoria's Treasury estimates the first week of lockdown cost Victoria \$700 million and the second week (with a slight easing in restrictions) cost \$600 million.

The New South Wales Government's State Budget for 2021-22 was released this week. Our media release is [here](#).

The South Australian Government's State Budget for 2021-22 was released this week. Our media release is [here](#).

Australian economic data

This week's data releases provide the first estimates of the effects of Victorian lockdown on retail sales and jobs.

The ABS' preliminary estimates of **retail sales in May remained well above the pre-COVID trend** nationally but fell in Victoria. National sales rose edged 0.1% m/m higher in May but COVID-19 restrictions in Victoria from the end of May caused sales to fall by 1.5% m/m, with falls in five of the six retail categories. In Victoria, only food retailing sales increased in May (+4.0% m/m), with supermarket sales particularly strong. This pattern of disrupted, delayed and restructured retail sales (more spending on food and groceries but less spending on discretionary goods and restaurant meals) has been observed in previous state lockdowns nationwide.

In the labour market, new ABS-ATO payrolls data show another wobble in the national employment recovery in early June. In contrast to the latest monthly labour force survey (which showed a strong recovery in May 2021) these data show that in the two weeks to 5 June 2021:

- Payroll jobs (for employees paid through the ATO single touch payroll system) fell by 0.9%; and
- Aggregate wages paid to payroll employees fell by 1.6% in the two weeks to 5 June.
- The fortnight to 5 June included the first nine days of Victoria's latest COVID-19 lockdown. Payroll jobs in Victoria fell by 2.1% over the fortnight to 5 June 2021 compared to 0.9% nationally.
- Payroll jobs in Victoria's hospitality and arts & recreation industries were hit particularly hard, falling by 10.2% and 8.0% respectively, from 22 May to 5 June 2021.

Based on the experience of this latest lockdown in Victoria and shorter lockdowns in other cities in 2021 to date, the ABS says lockdowns in one state have an impact on employment in the most vulnerable sectors in other states too:

"While the fall in payroll jobs is generally greatest in the state or territory of the lockdown, restrictions that affect interstate travel may also contribute to falls in payroll jobs in the Accommodation and food services industry in other states and territories. Payroll jobs in this industry fell in almost every state and territory across the fortnight [to 5 June 2021]."

The ABS also released more detail about the national labour market as of May 2021 (headline results released last week, see *Economics Weekly* 18 June 2021). These more detailed data show that in May 2021:

- **Total employment¹ recovered in 12 of 18 industries in the three months to May.** The strongest jobs growth in these three months were in education (+52,000), professional services (+37,000) and hospitality (+33,000).
- Compared to pre-pandemic levels (February 2020), employment was higher in 10 of the 18 industries in May 2021. The strongest employment growth over this period was in mining (15.7%) and utilities (10.5%).
- **Healthcare** (including health, medical, welfare, disability, aged and other care services) employs significantly more people than any other industry, with 1.8 million workers (14% of the total) in May 2021.
- **Casual employment²** fell faster and harder than permanent or self-employment during 2020. As of May 2021, casual employment had not yet recovered all of the jobs lost in Q2 of 2020; it was still 1% lower in May 2021 than it had been in Feb 2020. Employment numbers for permanent employees and owner managers were higher in May 2021 than pre-COVID levels (1% and 2% higher respectively).
- The **retrenchment rate** (workers who are retrenched in each quarter, as a proportion of total employment) fell to 0.8% in May 2021, from a record high of 4.4% in May 2020. May 2021 was its lowest level since the ABS started tracking this series in 2014.
- **Job loss fears** returned to around pre-pandemic levels in May 2021. The number of people who expect to lose their job due to their employer closing or downsizing continued to decline from a recent peak in May 2020.
- **Australia's long-term unemployment rate** (those unemployed for one year or longer than) fell to 1.6% in May, down from 1.8% in April. Australia's short-term unemployment rate (those unemployed for less than one year) fell to 3.4%, which is its lowest since March 2008. This means that a larger proportion of the total pool of unemployed people have been unemployed for one year or more, at almost one third in May 2021.

The latest **ABS Business Conditions and Sentiments survey** indicates that 27% of businesses reported difficulty finding suitable staff in May 2021. This included:

- 38% of employing businesses in accommodation and food services
- 25% of employing businesses in manufacturing; and
- 32% of employing businesses in construction.

Online job vacancies for skilled occupations increased to a 12-year high of 245,400 job advertisements in May 2021. This was an 13th consecutive month of growth. The National Skills Commission reports:

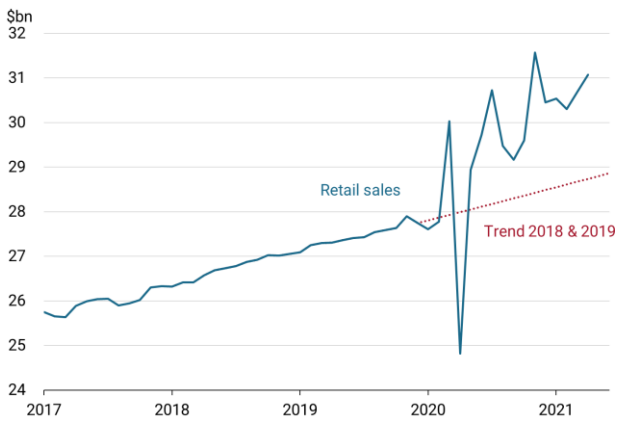
- 172,200 online vacancies in capital cities and 59,000 in regional locations (a record high for regional vacancies). The number of online vacancies is 30% higher than pre-pandemic levels in capital cities and 70% higher in regional areas.
- The proportion of recruiting businesses reporting difficulties finding skilled workers has risen sharply in 2021. Recruitment difficulties have worsened to a greater degree in regional areas and for lower skilled occupations.

¹ Total employment in these data includes all employees (with or without leave entitlements), independent contractors and self-employed owner-managers of businesses (incorporated and unincorporated). These data are derived from the ABS household *Labour Force Survey*, which is not as accurate for industry employment estimates as the business-based *ABS Labour Account*. The ABS recommends the latter as the best source of data for industry employment trends. *ABS Labour Account* data for Q2 of 2021 will be released on 8 September 2021.

² Casual workers in ABS labour force data are identified and defined as 'employees with no leave entitlements'.

Chart 1: National total retail sales in May 2021 remained well above the pre-COVID trend. Sales edged up by 0.1% m/m nationally in May but fell by 1.5% m/m in Victoria due to another COVID-19 lockdown at the end of the month.

Nominal retail sales, \$bn per month, 2017 to May 2021



Source: ABS, Retail Trade, Australia, Preliminary, May 2021.

Chart 3: Payroll jobs declined in the two weeks to 5 June 2021 in all states and territories. The biggest fall was in Victoria which was in another strict COVID-19 lockdown.

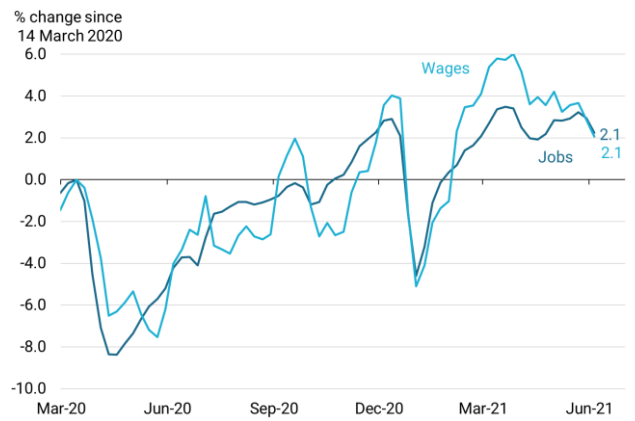
Payroll jobs by state and territory, % change, two weeks to 5 June 2021



Source: ABS-ATO Weekly Payroll Jobs and Wages, 5 June 2021.

Chart 2: Payroll jobs (for employees paid through the ATO single touch payroll system) fell by 0.9% in the two weeks to 5 June 2021. Aggregate wages paid to payroll employees fell by 1.6% in the two weeks to 5 June 2021.

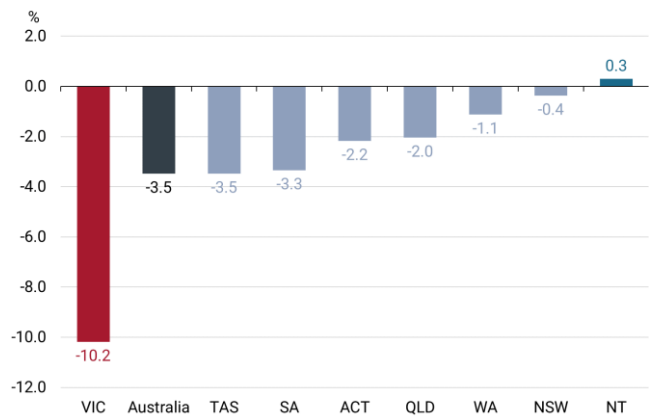
ABS-ATO weekly payroll wages and jobs (index), 14 March 2020 to 5 June 2021



Source: ABS-ATO Weekly Payroll Jobs and Wages, 5 June 2021.

Chart 4: Payroll jobs in the hospitality industry fell by 10.2% in Victoria in the two weeks to 5 June 2021 and declined in all states and territories except the NT.

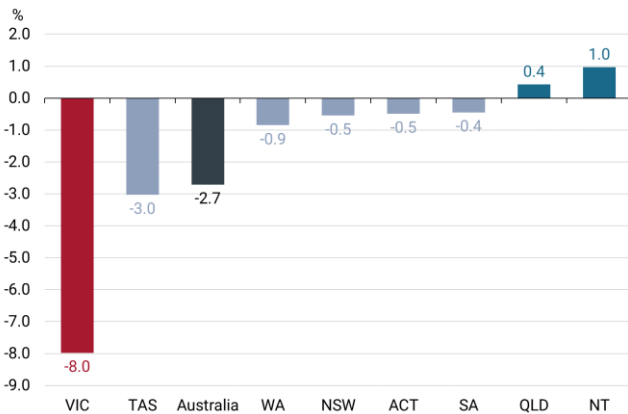
Payroll jobs in hospitality by state and territory, % change, two weeks to 5 June 2021



Source: ABS-ATO Weekly Payroll Jobs and Wages, 5 June 2021.

Chart 5: Payroll jobs in the hospitality industry fell by 8.0% in Victoria in the two weeks to 5 June 2021 and declined in all states and territories except Qld and the NT.

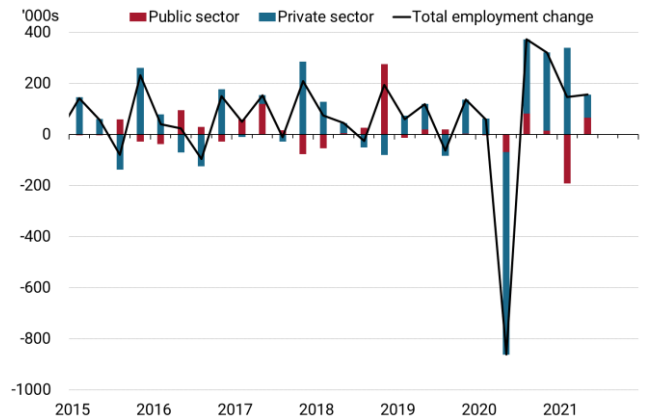
Payroll jobs in arts and recreation, by state and territory, % change, two weeks to 5 June 2021



Source: ABS-ATO Weekly Payroll Jobs and Wages, 5 June 2021.

Chart 6: Private sector employment recovered strongly in Q1 and Q2 of 2021, following large job losses in Q2 2020. Employment in the public sector (government) recovered in Q2 2021 after a sizeable drop in Q1 of 2021.

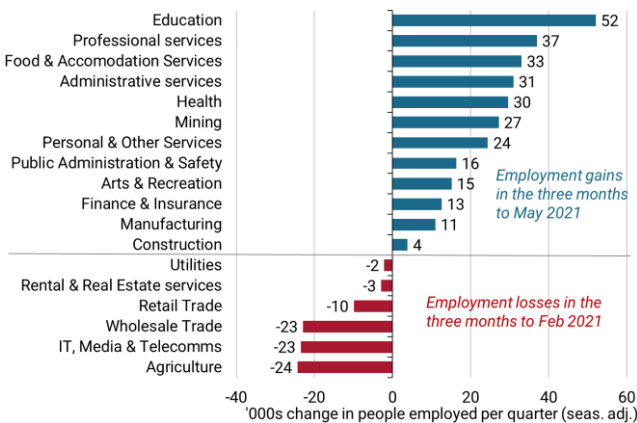
Change in employment in the private and public sectors '000 people per quarter, 2015 to May 2021



Source: ABS, Detailed Labour Force Australia, May 2021

Chart 7: Employment in 12 of 18 industries was higher in May 2021 than in Feb 2021. The strongest jobs growth in the three months to May were in education, professional services and hospitality.

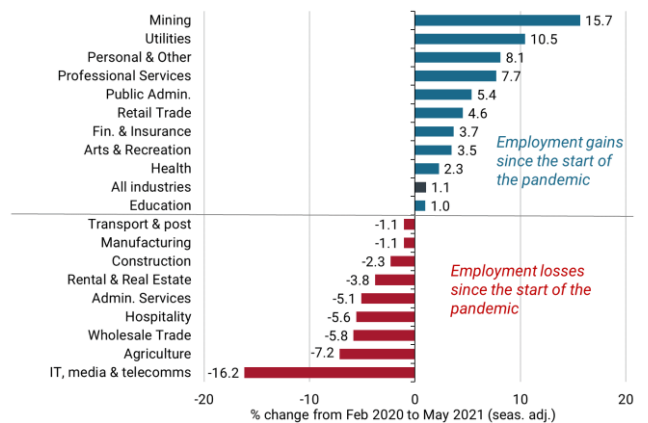
Change in employment by industry, '000 people, three months to May 2021



Source: ABS, Detailed Labour Force Australia, May 2021

Chart 8: Employment in 10 of the 18 industries was higher in May 2021 than pre-pandemic levels (Feb 2020). The strongest employment growth was in mining and utilities.

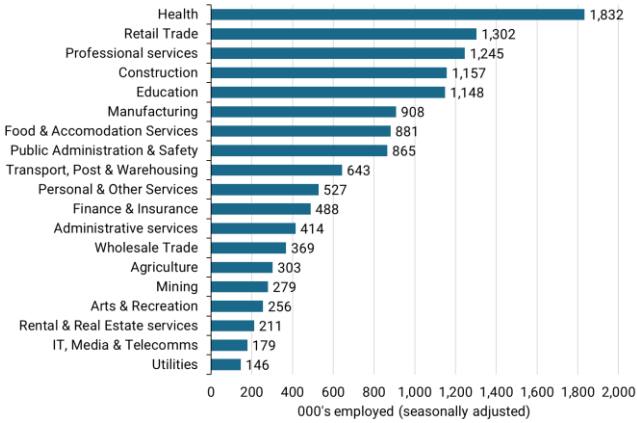
Change in employment by industry, % change, February 2020 to May 2021



Source: ABS, Detailed Labour Force Australia, May 2021

Chart 9: Healthcare employs significantly more people than any other industry, with 1.8 million workers (14% of the total), followed by retail trade and professional services. Manufacturing is the sixth largest employing industry.

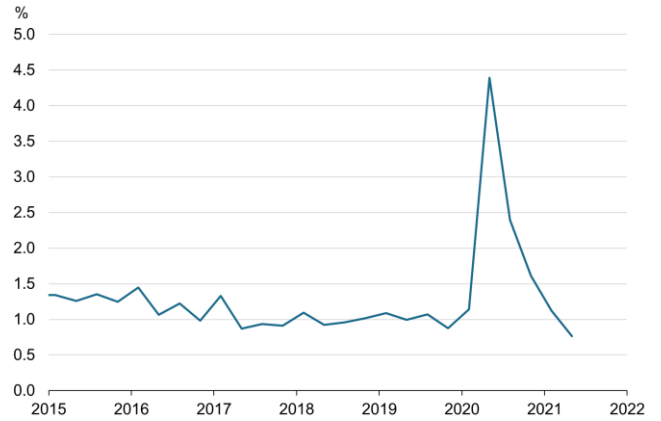
Australian employment by industry, May 2021



Source: ABS, *Detailed Labour Force Australia*, May 2021

Chart 10: The retrenchment rate (workers who are retrenched in each quarter, as a proportion of total employment) fell to 0.8% in May 2021, from a record high of 4.4% in May last year. May 2021 was its lowest level since the ABS started tracking this series in 2014.

Retrenchment rate*, 2015 to May 2021

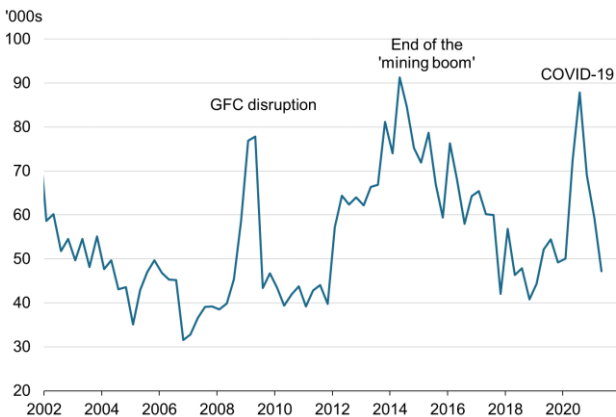


* % of employed people, per quarter.

Source: ABS, *Detailed Labour Force Australia*, May 2021.

Chart 11: Job loss fears in May 2021 returned to around pre-pandemic levels. The number of people who expect to lose their job due to their employer closing or downsizing continued to decline from a recent peak in May 2020.

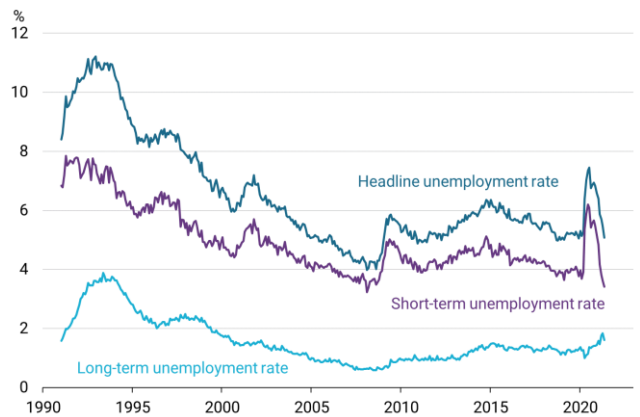
Workers who expect to lose their job due to their employer closing or downsizing over the next year, 2002 to 2021



Source: ABS, *Detailed Labour Force Australia*, May 2021.

Chart 12: Australia's long-term unemployment rate (those unemployed for one year or more) fell to 1.6% of the labour force in May 2021, down from 1.8% in April. Australia's short-term unemployment rate (those unemployed for less than one year) fell to 3.4%, its lowest since March 2008.

Unemployment, short-term & long-term unemployment rates*, 1990 to May 2021

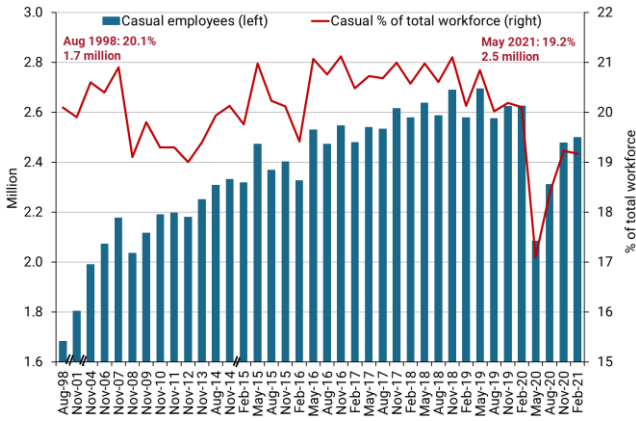


* % of the labour force.

Source: ABS, *Labour Force, Detailed*, May 2021

Chart 13: Casual employment fell sharply in number and as a proportion of the workforce in 2020 but is recovering in 2021. Casual employment accounted for around 20% of the total workforce (including self-employed business owners and contractors) and 25% of employees from 1998 to 2019.

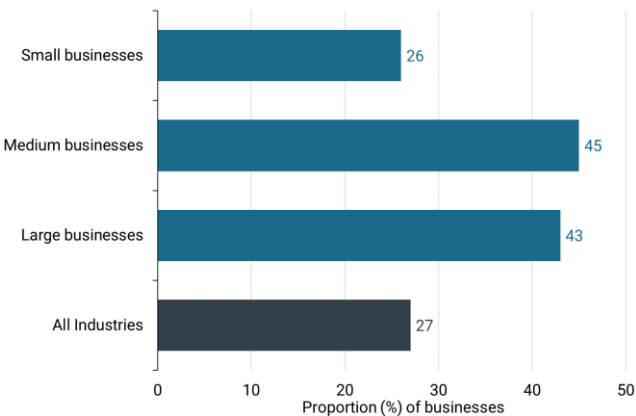
Casual employees*, number and share of the total workforce, 1998 to May 2021



* Employees with no leave entitlements.
Source: ABS, *Detailed Labour Force Australia*, May 2021

Chart 15: 27% of all employing businesses reported difficulty finding suitable staff in May 2021. 45% of medium and 43% of large businesses report difficulty finding staff.

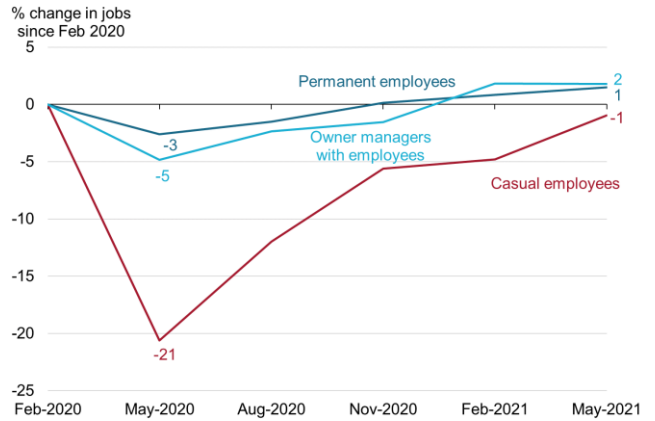
Employing businesses that report difficulty finding suitable workers, by business size, May 2021



Source: ABS, *Business Conditions and Sentiments*, May 2021

Chart 14: Casual employment* fell faster than permanent or self-employment during 2020. As of May 2021, casual employment had not yet recovered all of the jobs lost in Q2 of 2020. Employment for permanent employees and owner managers was higher in May 2021 than pre-COVID levels.

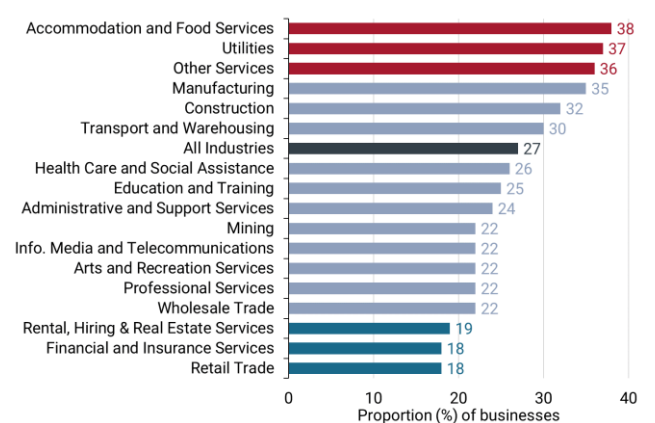
Employment losses by employment status, % change, Feb 2020 to May 2021



* Employees with no leave entitlements. Source: ABS, *Detailed Labour Force Australia*, May 2021

Chart 16: Businesses in accommodation and food services were the most likely to report difficulty finding suitable workers in May 2021 (38% in this industry) followed by utilities, other services and manufacturing.

Employing businesses that report difficulty finding suitable workers, by industry, May 2021



Source: ABS, *Business Conditions and Sentiments*, May 2021

Chart 17: Occupations that were especially difficult to fill in May 2021 included Hospitality Workers, Salespersons, Engineering & Science Professionals, Drivers, Building Trades, Business Professionals, Chefs & Cooks.

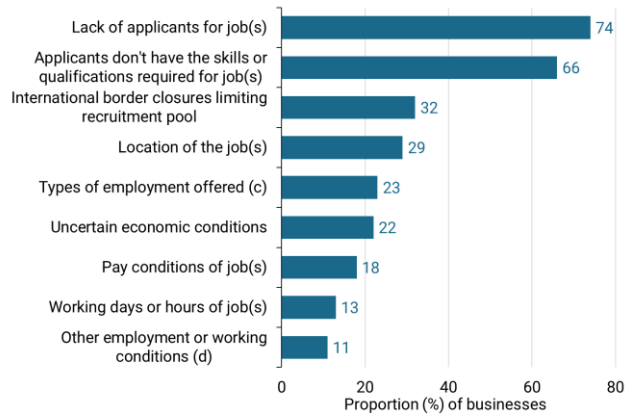
Occupations for which businesses report difficulties finding workers, May 2021



* The more common responses are bigger and bolder.
Source: ABS, *Business Conditions and Sentiments*, May 2021.

Chart 18: Businesses said labour shortages are due to a lack of applicants (74% of businesses reporting difficulties), applicants not having the required skills (66%), international border closures (32%) and job location (29%).

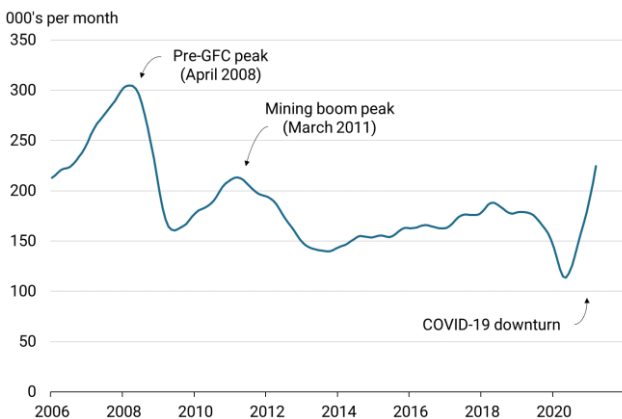
Reasons for business difficulties finding suitable workers*, May 2021



* proportion of businesses that reported difficulties finding workers.
Source: ABS, *Business Conditions and Sentiments*, May 2021.

Chart 19: Online job vacancies rose to 245,400 in May 2021. This was the highest number since 2008.

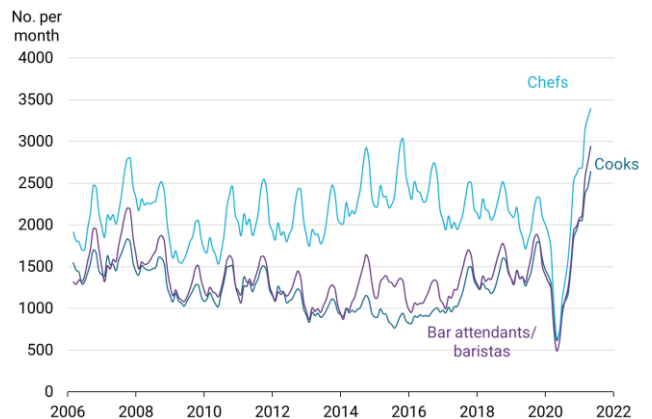
Online job vacancies, '2006 to May 2021



Source: National Skills Commission, *Internet Vacancy Index*, May 2021

Chart 20: Online job vacancies for cooks, chefs, bar attendants & baristas hit a record high in May 2021, as hospitality businesses open again nationwide. The temporary visa holders who often fill these roles (particularly in regional areas) are becoming scarce due to international travel restrictions.

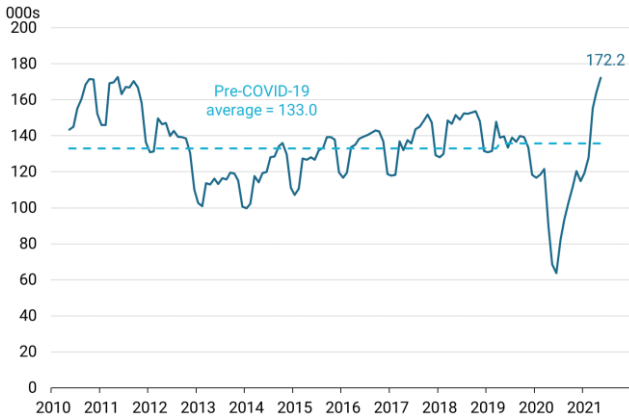
Job vacancies for 'cooks', 'chefs' and 'bar attendants & baristas', 3 month moving average, 2006 to May 2021



Source: National Skills Commission, *Internet Vacancy Index*, May 2021

Chart 21: Online job vacancies in capital cities were higher in May 2021 than prior to the COVID-19 pandemic and are approaching the record high that was recorded in 2011.

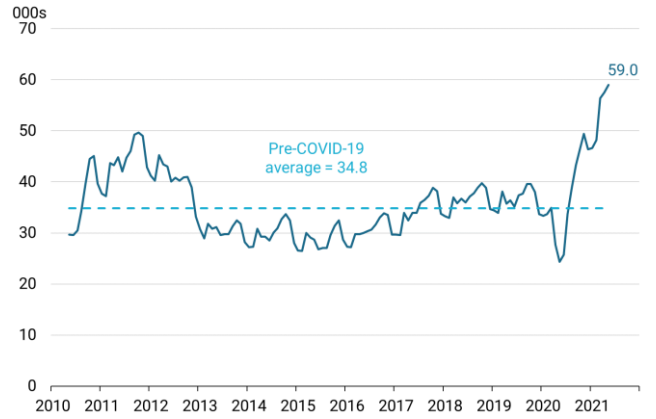
Online job vacancies in capital cities, '000 per month*, 2010 to 2021



* three-month-average.
Source: National Skills Commission, *Internet Vacancy Index*, May 2021.

Chart 22: Online job vacancies in regional locations hit a record high of 59,000 in May 2021. This was 70% higher than the pre-COVID average of 34,800 vacancies per month.

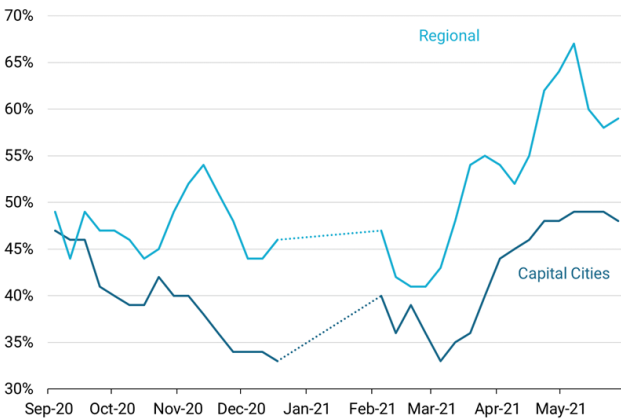
Online job vacancies in regional locations, '000 per month*, 2010 to 2021



* three-month-average.
Source: National Skills Commission, *Internet Vacancy Index*, May 2021.

Chart 23: Recruitment difficulty has worsened to a greater degree in 2021 for businesses that are actively recruiting in regional areas than it has for businesses in capital cities.

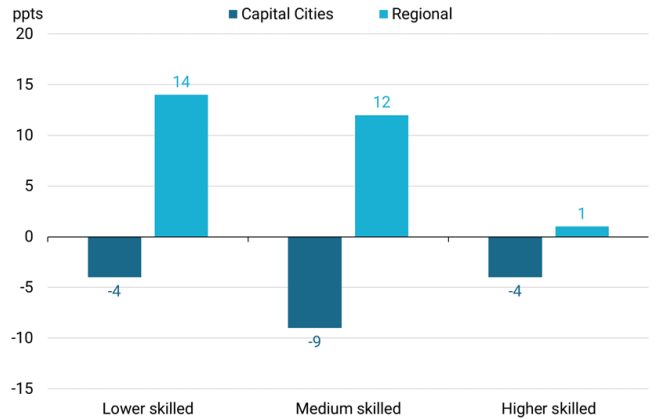
Recruitment difficulty for businesses that are recruiting in capital cities and regional locations, 2020 to May 2021



Source: National Skills Commission, *Recruitment Difficulty Survey*, May 2021.

Chart 24: Recruitment difficulty has worsened to a greater degree in 2021 for businesses that are actively recruiting in regional areas and for lower skilled occupations.

Recruitment difficulty for businesses that are recruiting, by region and skill level, percentage point change from 2019 to 2021



Source: National Skills Commission, *Recruitment Difficulty Survey*, May 2021.

Australian Industry Group monthly performance of industry indices

Australian Performance of Manufacturing Index®	May 2021 (M)	61.8 ▲
Australian Performance of Construction Index®	May 2021 (M)	58.3 ▼
Australian Performance of Services Index®	May 2021 (M)	61.2 ▲

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

Australian economy: latest annual growth rates and RBA forecasts (as of May 2021)

% change over the year	Dec 2020	Jun 2021	Dec 2021	Jun 2022	Dec 2022	Jun 2023
Gross domestic product (GDP)	-1.1	9.25	4.75	4.0	3.5	3.0
Household consumption	-2.7	15.5	5.5	5.25	4.0	3.0
Dwelling investment	0.6	10.75	4.5	-0.5	0.5	3.25
Business investment	-5.1	1.75	6.0	9.0	9.0	6.0
Public demand	6.3	5.25	4.5	3.25	2.0	1.75
Gross national expenditure	-0.3	12.0	5.25	4.75	3.75	3.0
Imports	-9.6	16.5	8.75	10.5	10.0	6.0
Exports	-11.7	3.25	6.0	6.75	7.5	5.25
Terms of trade	7.3	19.75	9.0	-7.75	-8.0	-5.25
Real household disposable income	4.4	-0.75	1.0	2.75	1.75	1.25
Unemployment rate (quarter average, %)	6.8	5.25	5.0	4.75	4.25	4.5
Employment	-0.9	6.75	3.0	1.25	1.25	1.25
Average wage rates (wage price index)	1.4	1.5	1.75	2.0	2.25	2.25
Trimmed mean inflation (Consumer Price Index)	1.2	1.5	1.5	1.5	1.75	2.0
Headline inflation (Consumer Price Index)	0.9	3.25	1.75	1.25	1.5	2.0

■ = actual. □ = forecast. Sources: ABS, various data; RBA 'baseline scenario' in *Statement on Monetary Policy*, May 2021.

RBA forecasts include the following technical assumptions: The cash rate is assumed to remain at its current level (0.1%) with other elements of the Bank's monetary stimulus package, including the 0.1% target for the 3-year government bond yield, assumed to remain consistent with current settings. Other technical assumptions include the TWI at 60, A\$ at US\$0.70 and Brent crude oil price at US\$42 per barrel.

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