

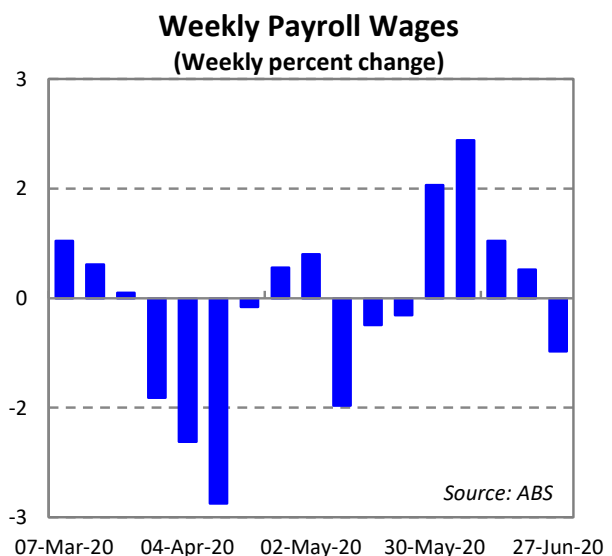
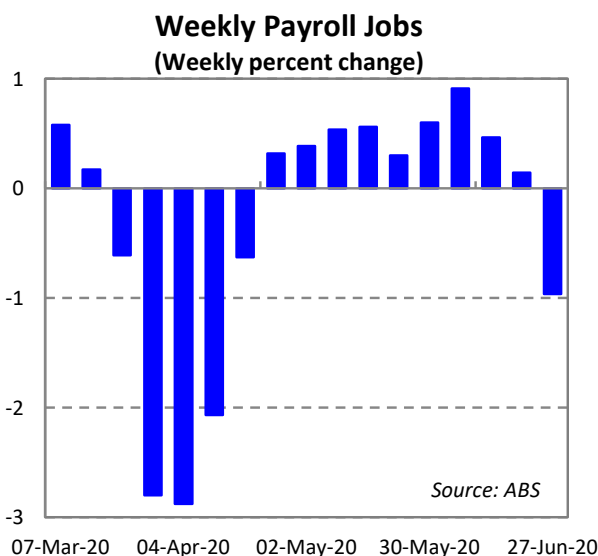


Tuesday, 14 July 2020



## Weekly Payroll Wages & Jobs Labour Market Wounds Remain Open

- Payroll jobs & wages began to recover in early May from the sharp losses over March and April. But this recovery has faltered in the final fortnight of June.
- Jobs declined by 0.8% over the fortnight to June 27, the first fall since the two weeks to April 25, when sweeping lockdowns were still in place. On a monthly basis, jobs rose 0.5% to June 27, down from growth of 2.0% in the four weeks to May 30.
- Wages paid by companies fell by 0.3% in the two weeks to June 27, down from growth of 3.0% in the previous fortnight. The Australian Bureau of Statistics (ABS) noted that there were large weekly variations observed in wages during June due to the end of the financial year.
- Industries with the strongest growth in payroll jobs over June included arts & recreation services (10.2%) and accommodation & food services (8.9%). These industries were among the most affected by the initial lockdown measures. However, employment in both industries remains well below their pre-lockdown levels.
- The soft outturn for payrolls in the final fortnight of June serves as a stark reminder that the road to recovery for the labour market will be long and painful.
- It further highlights underlying weakness in the economy just prior to the recent escalation of COVID-19 cases. The renewed lockdowns in parts of Victoria and risk of further restrictions across the country suggests labour market conditions are set for a further deterioration.

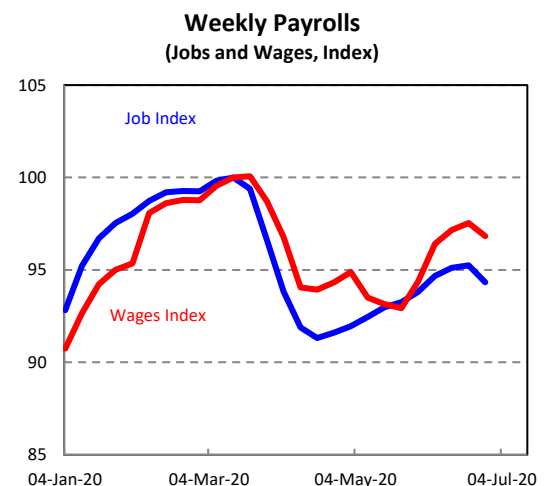


Labour market conditions stalled in the final two weeks of June, according to the latest weekly payrolls jobs and wages data. Fortnightly payroll jobs declined by 0.8% as of June 27, the first fall since the two weeks to April 25, when sweeping lockdowns were still in place. On a monthly basis, jobs rose 0.5% in the four weeks to June 27, down from growth of 2.0% in the four weeks to May 30.

Weekly payrolls statistics do not have enough history to be seasonally adjusted and are subject to large revisions, so caution should be taken when interpreting the results. Nevertheless, the contraction in jobs in the latter half of June suggests that the nascent recovery in the labour market following the easing of restrictions was fading, even before the re-imposition of lockdown in parts of Victoria.

Wages paid by companies fell by 0.3% in the two weeks to June 27, down from growth of 3.0% in the previous fortnight. The Australian Bureau of Statistics (ABS) noted that there were large weekly variations observed in wages during June due to end of financial year. Wages data in this release has been more volatile and subject to larger revisions compared with employee counts due to the classification of JobKeeper payments. Payroll wages are allocated to the underlying period when work was done, not when payments are made.

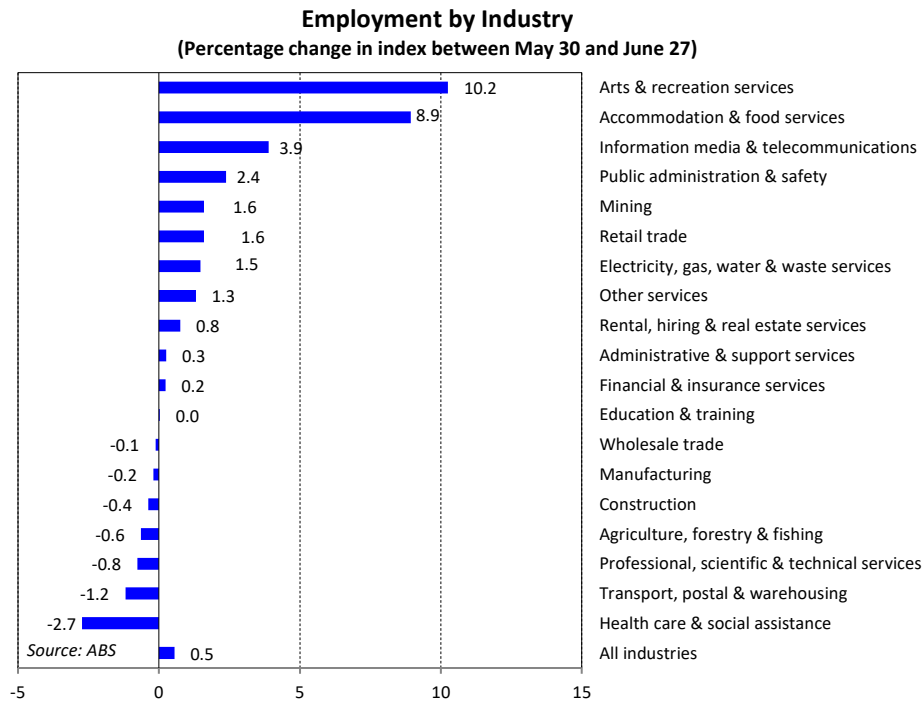
The low point for payroll jobs this year was in the week ending April 18. Lockdown measures were at their harshest at that point and uncertainty was running high. Using the week ending March 14 (when Australia recorded its 100th COVID-19 case) as a benchmark, the number of jobs fell 8.6% over the six weeks to April 18. As of June 27, the number of jobs remains 5.7% below its March 14 level, indicating that wounds in the labour market remain open. Renewed lockdowns in parts of Victoria and the weak state of the economy more broadly suggests that these wounds will take longer to heal than previously expected.



Industries with the strongest pace of payroll jobs

growth over June included arts & recreation services which rose 10.2% while accommodation & food services saw an 8.9% increase. These industries were among the most affected by initial lockdown measures. However, employment in both industries remains well below their pre-lockdown levels. Arts & recreation employment remains 18.1% below its March 14 level and accommodation & food services employment is 21.2% lower. Electricity, gas, water & waste services and financial & insurance services are the only sectors to have increased the number of jobs on the payroll since March 14.

Eleven sectors recorded an increase in jobs over June, seven recorded a fall and education & training was the only sector to record no change in the level of jobs over the month. Healthcare & social assistance recorded the largest fall, of 2.7%, in the four weeks to June 27. The sector is Australia's largest employer, accounting for 14.2% of total jobs in May.



The performance of States and territories was mixed in June. Performance is likely to diverge further in the coming month, depending on developments relating to COVID-19. Tasmania saw the biggest uptick in payroll jobs in the four weeks to June 27 with a 2.1% increase. The second fastest increase was in Queensland with a 0.9% increase, followed by New South Wales which recorded a 0.8% rise. Jobs growth was already slowing in Victoria prior to the lockdown of metropolitan Melbourne and the Mitchell Shire, with a 0.6% increase in payrolls compared with a 2.7% increase in the four weeks to June 13. South Australia also recorded a 0.6% increase in jobs in June.

The Northern Territory (-1.2%), the ACT (-1.1%) and Western Australia (-0.9%) all recorded a decline in payroll jobs during the four weeks to June 27.

### Outlook

The all-important official labour force survey for June will be released on Thursday. It captures employment in the first two weeks of June and, therefore, pre-dates the latest fortnight of data provided by today's weekly payrolls data. While the two data series are not directly comparable, the recent sharp loss of momentum in the recovery of payrolls is a flashing amber signal for the official labour force survey. There is genuine weakness in the economy. Furthermore, there is the high likelihood that many workers returning to paid hours would have been on JobKeeper and thus already counted as employed. These reasons lead us to maintain our forecast of a decline of employment of 30k in June.

The soft outturn for payrolls in the final fortnight of June also serves as a stark reminder that the road to recovery for the labour market will be long and painful. The renewed lockdowns in parts of Victoria and risk of further restrictions across the country suggests labour market conditions are set for further deterioration.

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