

Monday, 12 October 2020

Jobs in Focus

Last week we were told that the Budget was all about jobs. This week we get to see where the labour market stood in September. It's not a pretty picture.

Partial data, released last week suggested that payroll jobs declined in the first half of the month. The full ABS release for September comes out on Thursday and we expect to see job losses in the order of 50,000 leading to a rise in the unemployment rate to 7.2%.

According to the ABS and the ATO there remain over 920,000 people unemployed and another 920,000 receiving JobKeeper payments. Without the JobKeeper assistance keeping people in work, the official unemployment rate would be closer to 14% and the underemployment rate at around 20%. Those are serious numbers and sit behind the Budget's aim of getting the unemployment rate back under 6%. That will not happen overnight.

Today, the ABS releases its survey on how households are coping with COVID-19. This survey covers issues such as emotional and mental wellbeing, financial stress, and attitudes towards government policies. In a sense, it contains an alternative range of measures of consumer sentiment.

The Westpac / Melbourne Institute measure of consumer sentiment comes out on Wednesday. Unsurprisingly, consumer sentiment has been below its long run average, of around 100, all this year. It slumped to 75 in April but has since rebounded, to stand at 93.8 in September.

The October read of consumer sentiment will capture reactions to the Federal Budget unveiled on October 6, which included tax relief and one-off payments. These will boost incomes for many consumers. It should also capture some easing in mobility and other COVID-19 restrictions around the country.

Consumer sentiment is vital to business success. Confident consumers tend to purchase more goods and services. Businesses that are feeling confident about their future tend to hire more staff. In the Australian economy, we really do need to see consumers, businesses, and governments firing on all cylinders. We are not there yet.

The NAB measure of business confidence will be released on Tuesday. Business confidence collapsed in March falling to -66. It has since recovered to -8 in August. The September read will not cover the Budget but many of the Budget policy settings were well known during the month. The impact of the Victorian lockdown seems likely to have dented business confidence and conditions during September.

The Victorian Budget will be released this Tuesday and will likely contain measures to assist businesses and the wider population. The South Australian and NSW Budgets will not be delivered until November.

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Forecasts

End Period:	2020			2021		
	Close (Oct 9)	Q4 (f)	Q1 (f)	Q2 (f)	Q3 (f)	Q4 (f)
Aust. Interest Rates:						
RBA Cash Rate, %	0.25	0.10	0.10	0.10	0.10	0.10
90 Day BBSW, %	0.08	0.04	0.04	0.04	0.04	0.04
3 Year Swap, %	0.13	0.08	0.08	0.08	0.08	0.08
10 Year Bond, %	0.87	0.80	0.90	1.00	1.05	1.15
US Interest Rates:						
Fed Funds Rate, %	0.13	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond, %	0.79	0.60	0.65	0.75	0.75	0.85
USD Exchange Rates:						
AUD-USD	0.7165	0.75	0.76	0.76	0.78	0.80
USD-JPY	106.03	105	105	106	106	106
EUR-USD	1.1759	1.21	1.22	1.23	1.24	1.25
GBP-USD	1.2938	1.33	1.34	1.35	1.37	1.39
NZD-USD	0.6577	0.67	0.66	0.66	0.68	0.70
AUD Exchange Rates:						
AUD-USD	0.7165	0.75	0.76	0.76	0.78	0.80
AUD-EUR	0.6093	0.62	0.62	0.62	0.63	0.64
AUD-JPY	75.99	78.8	79.8	80.6	82.7	84.8
AUD-GBP	0.5539	0.56	0.57	0.56	0.57	0.58
AUD-NZD	1.0896	1.12	1.15	1.15	1.15	1.14

	2019	2020 (f)	2021 (f)
GDP, %	2.2	-3.5	2.8
CPI (Headline), %	1.8	0.4	2.2
CPI (Trimmed mean), %	1.6	0.8	1.7
Unemployment Rate, %	5.2	7.7	7.6
Wages Growth, %	2.2	1.9	1.6

AUD cross exchange rates have been rounded.

Financial forecasts are quarter end.

GDP, CPI, employment and wage growth forecasts are year end.

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