KNOW YOUR MARKET HUB

MARKET OVERVIEW – AUGUST 2016

ECONOMY SNAPSHOT

Despite GDP growth coming in stronger than expected in the March quarter (on the back of a significant rise in resource exports), the June quarter should see a return to more moderate rates, with economists still tipping the annual rate to be between 2.5% and 3.5% in 2016, and rising to 3%-4% by 2018. Globally, predictions for overall global growth were recently revised down by the World Bank from 2.9% projected in January to 2.4%*. Inflation grew by 1% annually in June and was inline with most economists' predictions, with CPI expected to remain below 2% for the remainder of the year before rising slowly in 2017 to around 1.5%-2.5%. When it comes to the labour market the outlook by economists is somewhat mixed. The unemployment rate experienced a small increase in June, however most economists agree this trend is unlikely to continue, with key indicators suggesting modest employment growth over the second half of 2016.

'THE MARKET'

Following a slight decline in new hiring rates in July, the job market has bounced back over the last month, returning to positive in August and offering new employees salaries 0.2%, on average, above existing employees. Managerial staff, especially executives, continue to be hired at significantly higher rates than existing employees, while new hiring rates for professionals are also now above salaries paid to those already in the role. Hiring rates for para-professionals, while below existing employees, have also shown some improvement from -4.8% to -4% in August.

For the first time in the series, the remuneration sentiment index recorded a positive 2.3%, indicating that sentiment around overall market conditions has improved and is significantly more favourable than the previous three months. A return of stability following the Federal Election and Brexit is likely to have played a significant role in this month's result, which was in large part driven by a significant rise in the number of clients indicating that market conditions would remain the same over the next six months, compared to last month, and a shift away from clients expecting 'worsening' conditions by the beginning of next year.

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REMUNERATION MARKET

Since peaking in June 2015 when the EC same-incumbent movement reached 3.3%, the market has remained stable and unchanged yet again in August with the overall movement at 3%. EC movements for para-professionals (3.5%) continue to be above all other staff categories, while executive increases experienced a small decrease in August and are now on par with management and professional staff at 3%.

Annual increases recorded for most states and territories are inline or close to the national median, with the exception of South Australia (3.5%) and the Australian Capital Territory (3.5%) which recorded annual increases above the national rate, and Western Australia which remained steady but below market at 2%.

Looking ahead, the 2016/2017 salary forecast remains at 3%. The pay barometer in August shows a significant increase in the number of organisations passing on 'above market' increases in the last six months. If this trend continues, along with the continued improvement in the overall sentiment, we will see the movement shift upwards possibly by the end of the year. However at this point in time, our forecast remains unchanged and reflects the view of many organisations that the overall remuneration and jobs market will remain static at least for the next six months.

OVERALL

Overall, results this month mirror the thinking of many economists - that while business confidence has shown some signs of softening, actual business conditions remain healthy.

Furthermore, the stable economic conditions we are experiencing are expected to remain or improve in the foreseeable future. This month also saw for the first time the remuneration index move into the positive, along with the jobs market improving across the board.

Tying it all together, results certainly do point to a slight strengthening and improvement in the market. While it would be premature to revise forecasts at this point, results over the next few months will dictate whether a change in the forecast is warranted. We will continue to monitor this trend and should it continue, will likely result in salary movements moving past the 3% mark by as early as the end of this year.

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** Source: World Bank Group. 2016. Global Economic Prospects, June 2016: Divergences and Risks. Washington, DC: World Bank. Washington, DC: World Bank. doi:10.1596/978-1-4648-0777-0. License: Creative Commons Attribution CC BY 3.0 IGO.*