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MARKET OVERVIEW - DECEMBER 2016

AUSTRALIAN ECONOMY SNAPSHOT

Australian economic results delivered a surprise in December with GDP recording a negative 0.5% in the September quarter. The general consensus amongst the top economists however, is that this is not the first sign of us heading into a recession, but rather an anomaly which will correct itself by next quarter. Inflation remains low with a growth of 1.3% in the year to September 2016 and is expected to show little change for the remainder of the year. At 5.7% unemployment rates continue to remain at historical low levels, with many economists expecting the rate to remain low in 2017. However, a holistic look at labour force figures shows that while unemployment has remained relatively low and steady, the participation rate has dropped.

Growth has also been dominated by part-time job creation, which has been driven in large part and favourable to those wanting more flexible working arrangements but has also left a significant number of individuals wanting to work more hours feeling 'under employed'. Furthermore, one of the draw backs of low inflation are soft wage increases, reflected in the September Wage Price Index (WPI), which recorded a historic low, moving year on year by just 1.9%.

'THE MARKET'

Over the last quarter the market has remained largely unchanged, with the [market heat index](#) just slipping slightly into the negative from 0.1% in October to -0.1% in November, to record an average of 0.0% in Q4. This result also mirrors those obtained from the [remuneration sentiment index](#) and [pay increase barometer](#), where similar fluctuations have occurred in Q4, suggesting that caution has prevailed in the market, while market confidence may have taken a hit perhaps as a result of uncertainty created by recent world events. That said, results for the barometer this month are encouraging showing that pay increases over the past six months have continued to stabilise, with just over a third of all individuals in the sample receiving 'at' (stable) market increases, up slightly from 26% last month.

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TRENDS IN REMUNERATION

The median general market employment cost same-incumbent movement remains unchanged from figures recorded throughout 2016 and sits at 3% in December. EC movements for para-professionals (3.3%) continue to be above all other staff categories, while all other staff categories have fallen slightly below the general market.

The Australian Capital Territory (3.5%) and Tasmania (3.5%) recorded the highest annual increase. Other states were in line with the national movements with the exception of Western Australia and Northern Territory, both well below the national rate.

The 2016/2017 salary forecast remains unchanged at 3%, in line with the response provided by 70% of clients participating in the December sentiment index survey, which expect remuneration budgets and hiring conditions to remain the same for the next six months.

OVERALL

While results over the last few months have shown some signs of softening, the market has remained stable for the most part. Furthermore, the Australian economy, despite the negative GDP outcome, has continued to hold its own throughout 2016 and expected to bounce back with positive GDP growth in 2017.

If there is one word to describe results for 2016 it would have to be 'stable'. At this stage we expect this trend to continue well in to 2017, with little change in the remuneration market. Whether we will experience any significant growth next year remains to be seen and unlikely to be felt until the much latter part of 2017.

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