



MARKET OVERVIEW – JULY 2016

 [BACK](#)

ECONOMY SNAPSHOT

The recovery in business conditions and business confidence from mid-2015 appears not to have faulted despite uncertainty over the Federal Election and the Brexit plan. Predictions for overall global growth were revised down by the World Bank from 2.9% projected in January to 2.4%*, however local GDP has remained steady, largely propped up by non-mining sectors, and tipped by most economists to hover around the 3% mark for 2016. June figures show the unemployment rate rising from 5.7% to 5.8% possibly paving the way for what some economists are projecting to be further rises in the second half of 2016, and up to 6% by 2017.

‘THE MARKET’

In line with a small increase in the unemployment rate in June, the job market also declined slightly over the past month, with new employees offered salaries 0.2%, on average, below existing employees. Continuing the trend seen in June, executives and those hired into management roles continue to be offered significantly higher rates than existing employees. Professionals and para-professionals, which make up the largest proportion of the workforce, are currently being offered new hire salaries below existing employees, with para-professionals hiring rates falling further away from rates offered to existing employees from -3.8% in June to -4.8% in July.

The remuneration sentiment index in July of -6.3% remains relatively unchanged from the June figure (-6.8%), indicating that overall market conditions continue to be significantly less favourable than in May when it reached a low of -1.3%. Much like June, this month's result is in a large part driven by almost a fifth of responding organisations, indicating they anticipate worsening conditions over the next six months, perhaps due to perceived economic uncertainty as a result of the Federal Election and Brexit. Putting this in perspective however, more than half of all participating organisations (58% of organisations) expect the remuneration and jobs market to remain the same at least until the end of the year.

REMUNERATION MARKET

Throughout 2016 the market has remained stable and continued to record a median employment cost (EC) same-incumbent movement of 3% in July. Notably, for the first time this year, annual salary increases for para-professionals (3.5%) are higher than those awarded to executive (3.1%) level incumbents.

Annual increases recorded for most states are in line or close to the national median. Western Australia, while below market, has continued to show signs of improvement jumping from 1.5% in June to 2% in July 2016.

Looking forward, the 2016 calendar year salary forecast stands at 3%. Future predictions at this stage for pay increases remain unchanged with most organisations anticipating the overall remuneration and jobs market to remain static at least for the next six months. However, the pay barometer in July shows that in the last six months there has been an increase in the amount of organisations passing on ‘above market’ increases. We will continue to monitor this shift and revise the salary forecast accordingly. Should this trend continue it will result in actual pay movements rising above 3% by the end of 2016.

.../2

OVERALL

Overall, conditions have remained steady over the last month with some flashes of optimism starting to show in the market. While the remuneration sentiment remains in the negative, it is probably more a reflection of perceived local and global economic uncertainty. As the economy continues to show stable and moderate growth and with the prediction of relatively low unemployment rates, we may start to see a shift in sentiment in coming months. In actual terms, the pay barometer shows an increase in pay movements in the last six months and serves as the strongest indicator to-date that movements may start to shift upwards in the not too distant future.



For more information or queries please contact paulina.wladdimiro@mercer.com

** 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.*

The information and data contained in this report are for information purposes only and are not intended nor implied to be a substitute for individual professional advice. In no event will Mercer be liable to you or to any third party for any decision made or action taken in reliance of the results obtained through the use of the information and/or data contained or provided herein.