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MARKET OVERVIEW – FEBRUARY 2017

AUSTRALIAN ECONOMY SNAPSHOT

Australian economic results delivered a surprise at the end of 2016 with GDP recording a negative 0.5% in the September quarter, in large part due to the fall in investment in mining construction. The general consensus amongst top economists however, is that yearly GDP will increase to around 2% - 3% in 2017, and this is not the first sign of us heading into a recession. Inflation remains low with a growth of 1.5% in the year to December 2016 though is predicted to move closer to 2% by the end of 2017. At 5.8% the unemployment rate is creeping up and continues to show signs of a slower recovery than expected in order to reach the historic lows of 4% seen in 2008. Many economists expect the rate to remain steady in 2017, however, a holistic look at labour force figures shows that while unemployment has remained relatively low and below the 6% mark for some time, the participation rate has been falling since the start of 2016. Under-employment, the measure of those employed people whose labour is not fully utilised, last year reached a record high of 8.7%, though has now fallen slightly to 8.3%.

Growth has also been dominated by part-time job creation, which has been 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). September WPI recorded a historic low, moving year-on-year by just 1.9%. However, the consensus amongst top economists is that it shouldn't be long before real incomes start growing again, with the size of the real income growth closely linked to labour productivity. WPI is forecast to rise to around 2% - 2.5% in 2017.

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'THE MARKET'

Over the last quarter the market has remained largely unchanged in some areas with notable movements in others. Results for the pay increase barometer this month are again encouraging, showing that pay increases over the past six months have continued to stabilise, with 32% of all individuals in the sample receiving 'at' (stable) market increases, very similar to last month. New hire pay rates fell for the third month in a row to record a figure of -3.2%, indicating that new hires are being paid at a slight discount relative to the market. The remuneration sentiment index, rose again this month to 8.3%, suggesting that the market is optimistic about the new year ahead.

TRENDS IN REMUNERATION

The median general market employment cost same-incumbent movement remains unchanged from figures recorded throughout 2016 and sits at 3% in February. EC movements for para-professionals (3.5%) continue to be above all other staff categories, while most other staff categories have fallen slightly below the general market.

The Australian Capital Territory, South Australia and Tasmania all recorded the highest annual increase of 3.5%. 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 73% of clients polled in the February sentiment index survey, who 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 and is expected to bounce back with positive GDP growth in 2017.

If there is one word to describe results so far in 2017 it would 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 is unlikely to be felt until the latter part of 2017.