KNOW YOUR MARKET HUB

MARKET OVERVIEW – JUNE/JULY 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, however GDP growth resumed its positive rate of growth with both December 2016 and March 2017 quarters delivering the return to expansion we all expected. GDP growth is expected to remain modest in 2017 and we are already seeing signs of that with GDP currently sitting at 1.7% year-on-year in March 2017.

Inflation remains low with a growth of 2.1% in the year to March 2017, though is starting to align with forecasts by moving above the 2.0% mark. The March CPI outcome will be encouraging for economists, as CPI has crept up to reach the RBA's 2.0%-3.0% target and may finally put some upward pressure on wage increases in the coming months. One of the draw backs of low inflation are soft wage increases, reflected in the March Wage Price Index (WPI). WPI remains at a historic low, moving year-on-year by just 1.9%, and it's downward creep is starting to cause concern amongst top economists.

At 5.5%, the unemployment rate is now finally starting to creep down with two consecutive quarters showing a fall of 0.2% overall. It remains to be seen whether the unemployment rate will reach the historic lows of 4.0% seen in 2008. Many economists expect the rate to remain steady in 2017, however, a holistic look at labour force figures shows that while the headline unemployment has remained below the 6.0% mark for some time, other factors are causing concern.

The participation rate has been on a downward trend for most of 2016, though has shown some resistance during the first half of 2017, which is encouraging. Job growth has 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'. Australia now has one of the highest levels of part-time work in the OECD, indicating that the underlying cause is perhaps structural rather than cyclical, with employers creating more jobs with part-time hours. Underemployment, the measure of those employed people whose labour is not fully utilised, is at a historically high level for Australia at 8.8%.
The underutilisation rate decreased 0.4 pts to 14.4%.

.../2

'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 stabilised even further, showing that pay increases over the past six months have remained mostly steady. Thirty five percent of all individuals in the sample received 'at' (stable) market increases, up by 10% compared to last month's figure. New hire pay rates albeit still negative, rose to record a figure of -0.8%, indicating new hires are still being paid at a slight discount relative to the market. The remuneration sentiment index rose to record it's highest score this month at 34.6%, suggesting that organisations remain optimistic about the labour market in 2017 despite the modest growth and soft wage price increases we are currently seeing.

The gender pay index results are again disappointing, showing that a gender pay gap definitely exists across all career levels and in all but two reported industries. The overall gender pay index remained at 2.9%, indicating that female employees are being remunerated, on average, 2.9% less than their male counterparts within the same role.

TRENDS IN REMUNERATION

The median general market employment cost same-incumbent movement is slightly down from figures recorded throughout 2016 and sits at 2.9% in June/July. Employment cost movements for executives (3.0%) are leading the way above other staff categories, while most other career levels have fallen slightly below the general market.

New South Wales (3.0%) and Victoria (3.0%) recorded the highest annual increases. Most other states were slightly below the national movements with Western Australia and Northern Territory lagging well behind the national rate.

The 2016/2017 salary forecast remains unchanged at 3.0%, in line with the response provided by 58.0% of clients polled in the June/July 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 seen in 2016, has continued to hold its own and is expected to bounce back 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 this year remains to be seen and is unlikely to be felt until the latter part of 2017.