

Economics Weekly

This week's economic highlights

- The NAB Business Conditions and Business Confidence Indexes eased again in June but remained at 'net optimism' levels. The ANZ-Roy Morgan Consumer Confidence Index fell. Both reflected the impact of the recent increase in the cash rate by the Reserve Bank.
- Labour markets continue to tighten – the national unemployment rate fell to 3.5% the lowest reading since 1974. Female and male unemployment both fell in June. The proportion of people working reduced hours due to illness rose significantly and is now almost double the usual number recorded at the start of winter.
- The latest international arrivals and departures data indicate a net inflow of people in May. New Zealand featured as major inbound source of travellers.
- SEEK job advertisements fell for the first time this year. All states and territories reported fewer job ads, as did most sectors.

Australian economic data

Economic data released this week indicate easing in business conditions in June.

- The monthly **NAB index of business conditions** fell by a modest 2 points to +13 index points in June (see chart 1). Results above zero indicate 'net positive' conditions in the NAB business survey. Trading conditions (down 5 points to +18), profits (down 4 points to +12) and employment (down 2 points to +10) all eased. Conditions were positive across industries including retail, however construction remained weak - increased building costs strained profits despite the robust pipeline of work in the sector. The weak conditions reported in the construction sector are in line with recent results from Ai Group's monthly industry activity indices (the Australian [PCI](#) and [PSI](#), all available online [here](#)).
- The monthly **NAB index of business confidence** fell by 5 points to a below average of +1 index point in June, after reporting steady increases in early 2022 (see chart 2). Results above zero indicate 'net optimistic' confidence. Retail saw big falls, dropping into negative territory in trend terms. Confidence also fell noticeably in mining, manufacturing, finance, business & property.
- **The weekly ANZ-Roy Morgan consumer confidence index** fell by 2.5% to 81.6 index points in the week ending 10 July. This is a second consecutive fall (see chart 3) following the Reserve Bank cash rate increase - consumer confidence is now at its lowest since April 2020. Results below 100 points indicate 'net pessimism' in this survey. Consumer confidence around economic conditions and financial situation declined, while inflation expectations (up by 0.1 percentage points) edged higher.
- ANZ economists noted that "This continues the trend in place since late April, when the high March quarter inflation report brought forward rate hike expectations. Since then, confidence amongst mortgage holders has fallen 25%, while confidence for renters is down just 4%. Inflation expectations lifted as petrol

prices hover near record highs. Global oil prices dropped last week, boding well for Australia’s retail petrol prices over the coming weeks”.

- **International arrivals and departures** increased further in May, and indicate a net inflow of people, with 76,590 passenger arrivals and 53,150 passenger departures.
- **SEEK’s count of online job advertisements fell by 2.1% m/m in June 2022** marking the first month of job ads decline in the year. However, job ads remained elevated compared to pre-pandemic levels, ads were 23.3% higher than in June 2021 and 52.4% higher than in June 2019. Applications per job ad decreased for the fifth month, dropping by 4.6% compared to May 2022. Job ads fell in all states and territories (see chart 4), the first time this year and since April 2020 when the pandemic first impacted the Australian job market. The largest monthly falls were in the NT (-4.6%), Tasmania (-4.1%) and South Australia (-3.9%).
- The only industries to record a monthly increase in new job ad volumes in June compared to May 2022 were: accounting (+4.0%), design & architecture (+3.5%), trades & services (+1.2%) and insurance & superannuation (+1.1%). In contrast hospitality & tourism (-8.6%), retail & consumer products (-5.8%) and manufacturing, transport & logistics (-5.3%) had large falls compared to the previous month. SEEK noted a great job boom persists despite the monthly decline.

Table 1: SEEK job ads, June 2022

	Job ads change, %		
	May 2022 to Jun 2022	Jun 2021 to Jun 2022	Jun 2019 to Jun 2022
Australia	-2.1	23.3	52.4
NSW	-2.6	23.3	35.0
VIC	-1.2	28.1	47.6
Qld	-1.7	27.4	78.4
ACT	-1.1	1.1	10.9
SA	-3.9	15.2	85.8
WA	-3.7	14.2	76.7
TAS	-4.1	22.2	95.7
NT	-4.6	21.8	96.1

Latest Australian labour market data

The monthly ABS Labour Force Survey showed **further improvements in employment and work hours** in June 2022:

- **Employment increased in June 2022, with 88,400** more employed persons (+0.7% m/m) and is the eighth consecutive month of increase (see chart 5). The total number of employed persons across Australia (13.6 million) is higher than prior to the COVID-19 pandemic with employment now 4.6% higher than in March 2020. Full-time employment increased by 52,900 people while part-time employment increased by 35,500 people. Part-time employment currently accounts for only 30.2% of employment which is lower than it was at the start of the pandemic.
- **The participation rate rose to 66.8%** of the adult population (aged 15 years and over), indicating a new high for the data series in June 2022 (see chart 6). Except in Victoria and Queensland, the participation rate fell in all other states and territories with the largest decrease in participation in the NT and Tasmania. This indicates that the monthly increase in the participation rate was largely driven by Victoria.

- **Unemployment fell to 3.5%** of the active labour force (see chart 7), the lowest monthly record, with 493,900 people actively seeking work in June (54,300 fewer persons than in May). Female and male unemployment decreased to 3.4% and 3.6% respectively. Vic (3.2%) and NSW (3.3%) recorded their lowest unemployment rates on record.
- The number of **people working reduced hours due to illness** grew to 780,000 persons in June 2022, almost double the usual number recorded at the start of winter (see chart 8). The **underemployment rate** rose to 6.1% nationally and 5.9% in NSW. Underemployment is where a person is working but is willing and able to work more hours.

Table 1: National labour market indicators, June 2022

<i>Seasonally adjusted</i>	Number '000	Change per month		Change per year	
		'000 m/m	% m/m	'000 y/y	% y/y
Employed persons	13,599	88.4	0.7	438.0	3.3
Full-time persons	9,496	52.9	0.6	472.6	5.2
Part-time persons	4,103	35.5	0.9	-34.5	-0.8
Aggregate hours worked	1,855,521	-420.6	-0.0	68,678.3	3.8
Unemployed persons	494	-54.3	-0.4	-188.5	-1.4
Underemployed persons	857	49.7	0.3	-241.3	-1.9
Labour force	14,093	34.1	0.2	249.5	1.8
Adult civilian population	21,111	19.5	0.1	206.7	1.0
	Rate, %	Change per month, percentage points		Change per year, percentage points,	
Unemployment rate, %	3.5	-0.4		-1.4	
Underemployment rate, %	6.1	0.3		-1.9	
Participation rate, %	66.8	0.1		0.5	
Employment to pop ratio, %	64.4	0.4		1.5	

Table 2: National youth labour market indicators (15-24 years), June 2022

<i>Seasonally adjusted</i>	Number '000	Change per month		Change per year	
		'000 m/m	% m/m	'000 y/y	% y/y
Employed persons	2046.1	23.2	1.1	112.2	5.8
Full-time persons	929.3	-1.1	-0.1	100.7	12.1
Part-time persons	1114.3	24.0	2.2	14.6	1.3
Unemployed persons	174.6	-19.9	-10.2	-45.5	-20.7
Underemployed persons	308.0	26.1	9.2	-42.2	-12.0
Labour force	2215.0	-4.2	-0.2	70.6	3.3
	Rate, %	Change per month, percentage points		Change per year, percentage points,	
Unemployment rate, %	7.9	0.9		2.4	
Underemployment rate, %	13.9	-1.2		2.4	
Participation rate, %	71.8	-0.1		2.5	

Table 3: State labour market indicators, June 2022

<i>Seasonally adjusted</i>	NSW	VIC	Qld	SA	WA	Tas
Employment level, 000	4286.5	3544.5	2780.1	886.7	1464.2	263.7
Employment change, '000 m/m	25.6	28.5	13.4	0.5	-9.1	-1.2
Employment change, % m/m	0.6	0.8	0.5	0.1	-0.6	-0.4
Unemployment rate, %	3.3	3.2	4.0	4.3	3.4	4.3

Underemployment rate, %	5.9	6.2	6.2	6.9	5.7	7.7
Participation rate, %	66.0	67.1	67.4	63.0	69.3	61.0

Table 4: State youth labour market indicators (15-24 years old), June 2022

<i>original data, 12-month average</i>	NSW	VIC	Qld	SA	WA	Tas
Unemployment rate, %	9.1	10.4	10.1	9.6	9.1	10.3
Participation rate, %	67.4	67.2	73.4	72.3	73.1	68.6

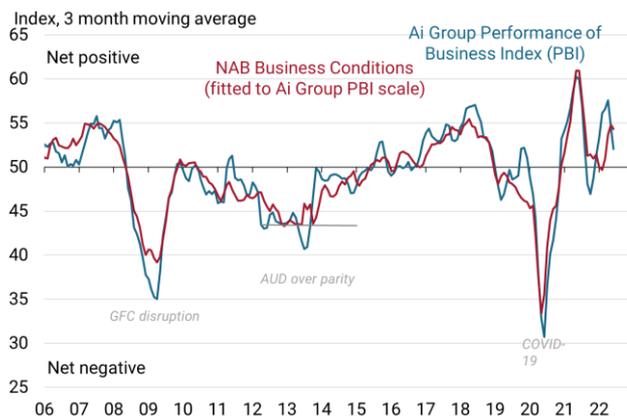
Source: ABS, *Labour Force Australia*, June 2022.

Australian Performance of Manufacturing Index®	June 2022	54.0 ▲
Australian Performance of Construction Index®	June 2022	46.2 ▼
Australian Performance of Services Index®	June 2022	48.8 ▼

Seasonally adjusted. Arrows represent direction of movement relative to last observation. Source: Ai Group.

Chart 1: The NAB index of business conditions fell by 2 points to +13 index points in June in line with Ai Group’s month performance of industry indices, published earlier in July ([reports online here](#)).

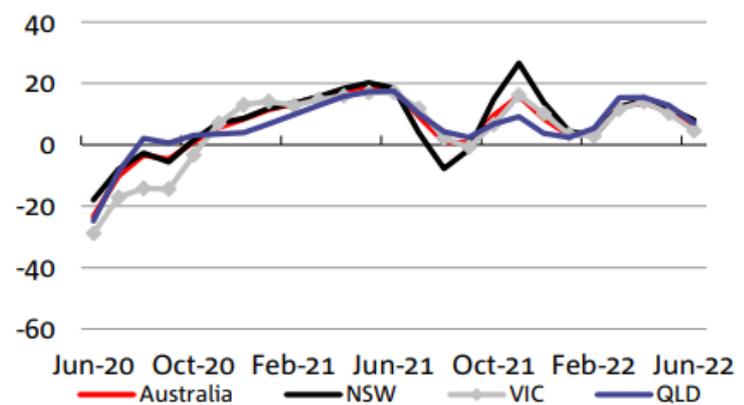
Australian PBI* and NAB business conditions index, 3 month moving average to June 2022



* Ai Group Australian Performance of Business Index is a weighted composite of Ai Group’s Australian PMI, Australian PCI and Australian PSI. Source: Ai Group and NAB, June 2022.

Chart 2: The NAB index of business confidence fell by 5 points to a below average of +1 index point in June, after reporting steady increases in early 2022.

NAB business confidence indexes, Australia and selected states, June 2020 to June 2022 (trend)



Source: NAB, June 2022.

Chart 3: The ANZ-Roy Morgan consumer confidence index (weekly) fell by 2.5% w/w to 81.6 points in the week to 10 July, indicating two consecutive weeks of falls. This is after the Reserve Bank increased the cash rate for the third time since November 2020 by another 0.50%.

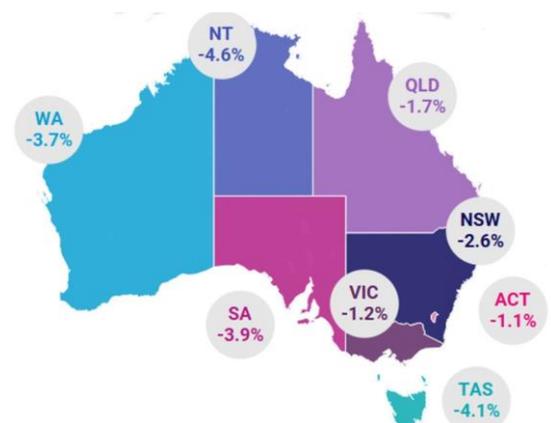
ANZ-Roy Morgan Consumer Confidence Index



Source: ANZ-Roy Morgan, Australian Consumer Confidence

Chart 4: Job ads fell in all states and territories in June 2022, the first time this year and since April 2020 when the pandemic first impacted the Australian job market. The largest monthly falls were in the NT (-4.6%), Tasmania (-4.1%) and South Australia (-3.9%).

Monthly change in job ads across states and territories, June 2022



Source: SEEK, Employment Reports, June 2022

Chart 5: Employment improved but aggregate work hours remained unchanged in June 2022. Employment increased further by 0.7% (88,400 more employed persons) in June.

Total employment and work hours, 2015 to June 2022



Source: ABS, *Labour Force Australia*, June 2022

Chart 6: Labour force participation rose to 66.8% of the adult population, indicating a new high for the data series in June 2022. The participation rate of both adult male and female improved.

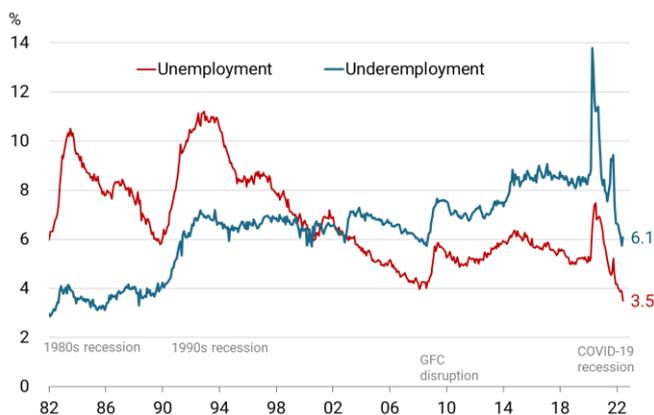
Participation rates by sex, 2015 to June 2022



Source: ABS, *Labour Force Australia*, June 2022

Chart 7: The unemployment rate fell to 3.5% of the active labour force, the lowest monthly record, with 493,900 people actively seeking work in June. The **underemployment rate** rose to 6.1% and remained at very low levels.

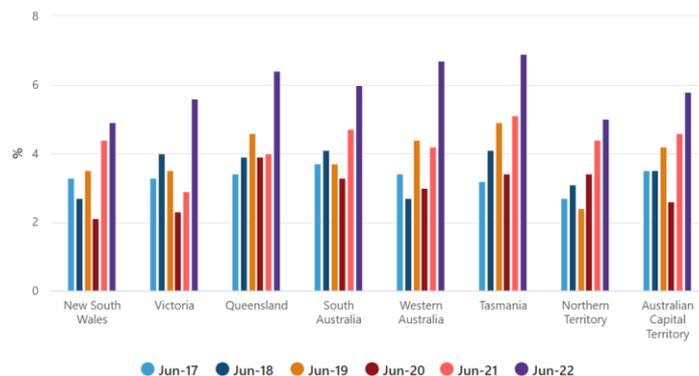
Unemployment and underemployment rates, 1982 to June 2022



Source: ABS, *Labour Force Australia*, June 2022

Chart 8: The proportion of people working reduced hours due to illness rose across all states and territories and is now almost double the usual number recorded at the start of winter.

Proportion of employed people who worked fewer hours than usual due to own illness or injury or sick leave, across states and territories, June 2017 to June 2022



Source: ABS, *Labour Force Australia*, June 2022

This week's data and events 11 July – 15 July 2022

Day	Date	Data/event	Data period
Tue	12 Jul	NAB, Monthly Business Survey	June 2022
Tue	12 Jul	ABS, Overseas Arrivals and Departures	May 2022
Tue	12 Jul	ANZ-Roy Morgan, Australian Consumer Confidence	July 4-10 2022
Wed	13 Jul	ABS, Building Activity	March 2022
Thu	14 Jul	ABS, Labour Force	June 2022
Fri	15 Jul	SEEK, Employment Reports	June 2022

Next week's data and events 18 July – 22 July 2022

Day	Date	Data/event	Data period
Tue	19 Jul	RBA, Minutes July 2022 Monetary Policy Meeting	July 2022
Wed	20 Jul	NSC, Internet Vacancy Index	June 2022
Thu	21 Jul	ABS, Labour Force Detailed	June 2022

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