

Economics Weekly

This week's economic highlights

- The NAB **Business Conditions** and **Business Confidence** indices rose in August, remaining in 'net optimism' levels.
- The consumer-oriented **ANZ-Roy Morgan Consumer Confidence** fell, while the **Westpac-MI Consumer Sentiment Index** rose. However, both remain in net pessimism.
- These **mixed sentiment results** – businesses cautious positive, while consumers remain negative – reflects the asymmetric impact of continuing RBA rate rises of these sectors.
- **Labour markets** strengthened, with higher employment levels. The participation rate rose marginally and remains elevated. Full-time employment increased while part-time employment decreased.
- There are **480,500 unfilled jobs** in Australia in Q2 2022, a record high. This confirms business experience observations of labour shortage across many industries and locations around Australia.
- The latest **international arrivals and departures** data indicate a net inflow of people in July. New Zealand featured as major inbound source of travellers.

Australian economic data

Economic data released this week indicate modest improvements in business conditions but an easing in consumer confidence in August and early September.

- The monthly **NAB index of business conditions** rose to +20 index points in August (see chart 1). Results above zero indicate 'net positive' conditions in the NAB business survey. Trading conditions improved (up 4 points to +30), profits and employment eased while remaining in net optimism (both down 2 points to +16). Conditions eased in Construction, recreation & personal, finance, business & property, and mining. All other industries saw conditions steady or rising, the largest increases were recorded in retail (+12 points), wholesale (+9 points), and manufacturing (+7 points).
- The monthly **NAB index of business confidence** increased by 2 points to +10 index points in August to be marginally above its long-run average, after falling below average in June 2022 (see chart 2). Results above zero indicate 'net optimistic' confidence. Confidence deteriorated in the construction sector (down 12 points), but remains largely steady or improving in other sectors. In trend terms, all sectors remained in positive territory, with transport and recreation & personal at +11 index points.
- **The weekly ANZ-Roy Morgan consumer confidence index** fell by 0.5% to 85.7 points in the week ending 11 September (see charts 3 and 4). This follows the Reserve Bank cash rate increase of 0.50% in September, the

fifth increase since November 2020. Results below 100 points indicate 'net pessimism' in this survey. Consumer confidence around current economic conditions declined to the lowest level since September 2020.

- ANZ noted that "Consumer confidence softened by just 0.5% last week, even as the RBA raised interest rates by 50bp. This is the smallest decline after a 50bp increase this year. The previous three 50bp increases in June, July and August saw an average decline in confidence of about 5%... We wouldn't read too much into the relative stability of sentiment, as the overall story remains the same – consumers are very pessimistic."
- **The monthly Westpac-MI Index of Consumer Sentiment** increased by 3.9% to 84.4 points in early September (see chart 5). Results below 100 points indicate 'net pessimism' in this survey. The index has been on a downward trend since the last peak in November 2021. Westpac economists noted, *"The current weakness in consumer sentiment is still deeply troubling... [C]onfidence may be reaching something of a natural floor – a deeply pessimistic level but stopping short of the despair that can take hold when a deep recession causes widespread upheaval in labour markets"*.

International arrivals and departures increased further in July, and indicate a net inflow of people, with 1,081,610 passenger arrivals and 968,490 passenger departures.

Latest Australian labour market data

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

- **Employment increased in August 2022, with 33,500** more employed persons (+0.2% m/m) following a decline last month (see chart 6). The total number of employed persons across Australia (13.6 million) remained higher than prior to the COVID-19 pandemic with employment 4.5% higher than in March 2020.
- **Full-time employment increased by 58,800 people**, while **part-time employment decreased by 25,300 people**. Part-time employment currently accounts for only 30.3% of employment, lower than at the start of the pandemic. The ABS noted that the rise in employment and hours worked in August reflects a recovery from the falls recorded in July, when people worked fewer hours than usual due to winter school holidays and flooding events in New South Wales.
- **The participation rate rose marginally to 66.6%** of the adult population (aged 15 years and over), indicating an improvement from last month (see chart 7). The participation rate rose to 71.0% and 62.3% for men and women respectively. Except in Western Australia and Queensland, the participation rate rose in all other states and territories with the largest increase in participation in Northern Territory.
- **Unemployment rose by 0.1% to 3.5%** of the active labour force (see chart 8), with 487,700 people actively seeking work in August (14,000 more persons than in July). Female and male unemployment rates were 3.4% and 3.5% respectively. Unemployment fell in Queensland (a new series low of 3.2%), WA (to 3.1%), SA (to 3.9%) and the ACT (to 2.7%). Unemployment increased in NSW (3.4%), Victoria (3.7%), Northern Territory (4.5%) and Tasmania (4.9%).
- The number of **people working reduced hours due to illness** rose to 761,000 persons in August 2022. This is almost double the number usually recorded at the end of winter. The **underemployment rate** fell to 5.9% nationally and 5.6% in NSW. Underemployment is where a person is working but is willing and able to work more hours.

Table 1: National labour market indicators, Aug 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	13,592	33.5	0.2	570.3	4.4
Full-time persons	9,469	58.8	0.6	515.3	5.8
Part-time persons	4,124	-25.3	-0.6	55.0	1.4
Aggregate hours worked	1,854,414	14,497.7	0.8	136,338.0	7.9
Unemployed persons	488	14.0	0.1	-132.5	-1.1
Underemployed persons	833	-7.2	-0.1	-432.2	-3.4
Labour force	14,080	47.5	0.3	437.8	3.2
Adult civilian population	21,146	17.4	0.1	231.8	1.1
	Rate, %	Change per month, percentage points		Change per year, percentage points,	
Unemployment rate, %	3.5	0.1		-1.1	
Underemployment rate, %	5.9	-0.1		-3.4	
Participation rate, %	66.6	0.2		1.4	
Employment to pop ratio, %	64.3	0.1		2.0	

Table 2: National youth labour market indicators (15-24 years), Aug 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	2022.6	-36.8	-1.8	159.1	8.5
Full-time persons	913.8	11.3	1.3	96.9	11.9
Part-time persons	1108.8	-46.8	-4.1	63.0	6.0
Unemployed persons	186.1	30.5	19.6	-28.3	-13.2
Underemployed persons	274.0	-37.0	-11.9	-81.6	-23.0
Labour force	2206.7	-6.7	-0.3	132.6	6.4
	Rate, %	Change per month, percentage points		Change per year, percentage points,	
Unemployment rate, %	8.4	-1.4		1.9	
Underemployment rate, %	12.4	1.6		4.7	
Participation rate, %	71.5	-0.2		4.4	

Table 3: State labour market indicators, Aug 2022

<i>Seasonally adjusted</i>	NSW	VIC	Qld	SA	WA	Tas
Employment level, 000	4278.8	3525.2	2775.4	893.5	1471.5	264.1
Employment change, '000 m/m	4.1	-0.8	1.4	10.2	0.9	-0.2
Employment change, % m/m	0.1	0.0	0.0	1.2	0.1	-0.1
Unemployment rate, %	3.4	3.7	3.2	3.9	3.1	4.9
Underemployment rate, %	5.6	5.8	6.4	6.5	5.9	7.3
Participation rate, %	66.0	67.0	66.5	63.1	69.3	61.3

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

<i>original data, 12-month average</i>	NSW	VIC	Qld	SA	WA	Tas
Unemployment rate, %	8.6	10.0	9.5	9.4	8.8	10.3
Participation rate, %	68.3	67.7	74.0	72.8	73.2	68.1

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

The quarterly **ABS Labour Account for June (Q2) 2022** showed that:

- Filled jobs rose by 2.2% q/q and 3.8% p.a. (see charts 9 and 10) to 14.98 million jobs held by 13.9 million people in Q2 of 2022.
- The gap between jobs and people is due to multiple job holdings by 898,900 people. This is a record high of 6.5% of all employed people. Most of this group held two jobs but a small number held three or more.
- The number of unfilled jobs jumped to 480,500, hitting a new record high in Q2 2022. The proportion of all jobs that were vacant rose to 3.1% in Q2. The share of jobs that are unfilled provides a simple proxy indicator of labour shortage. This record high confirms the observations of labour shortage across many industries and locations around Australia in 2022.
- Across industries, the highest vacancy rates were in the mining industry (5.2% of all jobs unfilled) and the services industries including hospitality (4.5%), personal & other services (4.1%), finance and insurance (3.9%) and administrative services (3.7%). In raw number terms, healthcare had the largest number of unfilled jobs in Q2 (68,100) (see charts 11 and 12) followed by hospitality with 60,700 unfilled jobs in Q2 (see Table 5).

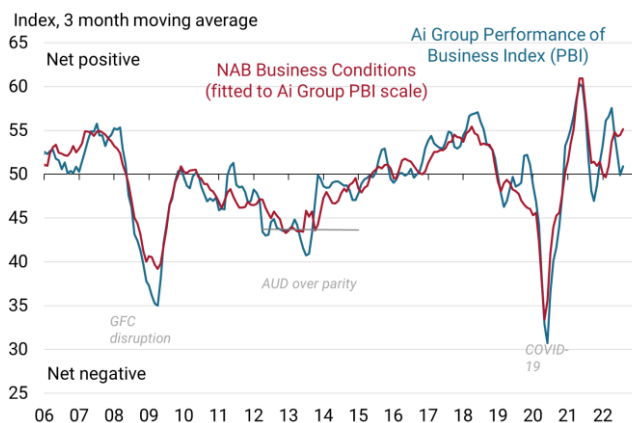
Table 5: Composition of employment and vacancies (filled and unfilled jobs), Q2 2022

<i>seasonally adjusted</i>	Filled jobs			Unfilled jobs		Total jobs '000
	'000	% q/q	% y/y	'000	% of total*	
Agriculture, forestry and fishing	438.3	0.4	2.1	3.4	0.7	441.7
Mining	207.1	1.9	11.3	11.4	2.4	218.5
Manufacturing	923.3	-1.6	5.7	28.0	5.8	951.3
Utilities	134.5	3.6	6.5	4.2	0.9	138.7
Construction	1,230.3	2.8	5.2	38.7	8.0	1,269.0
Wholesale Trade	567.7	1.7	-3.2	19.2	4.0	586.9
Retail Trade	1,444.9	0.6	0.9	46.0	9.6	1,490.9
Food & Accommodation Services	1,298.0	5.9	11.5	60.7	12.6	1,358.6
Transport, Post & Warehousing	695.1	2.9	3.6	15.4	3.2	710.5
IT, Media & Telecommunications	194.5	7.7	5.9	5.6	1.2	200.1
Finance & Insurance	477.8	3.1	-2.3	19.4	4.0	497.2
Rental & Real Estate services	302.7	0.8	4.9	9.5	2.0	312.2
Professional services	1,289.5	5.1	8.5	42.4	8.8	1,331.9
Administrative services	1,041.5	1.4	5.6	39.7	8.3	1,081.2
Public Administration & Safety	753.0	-1.2	-0.9	24.4	5.1	777.4
Education	1,073.2	-0.1	1.4	12.4	2.6	1,085.6
Health	2,027.1	1.4	0.1	68.1	14.2	2,095.2
Arts & Recreation	328.1	10.3	19.8	8.6	1.8	336.7
Personal & Other Services	550.6	5.0	3.1	23.7	4.9	574.3
All employment	14,977.3	2.2	3.8	480.5	3.1	15,457.8

* Unfilled jobs as a share of total jobs provides a proxy indicator of labour shortage for each industry. Source: ABS, *Labour Account*, Jun 2022.

Chart 1: The NAB index of business conditions rose by 2 points to +10 index points in August, closely in line with Ai Group’s monthly performance of services index, published earlier in August ([report online here](#)).

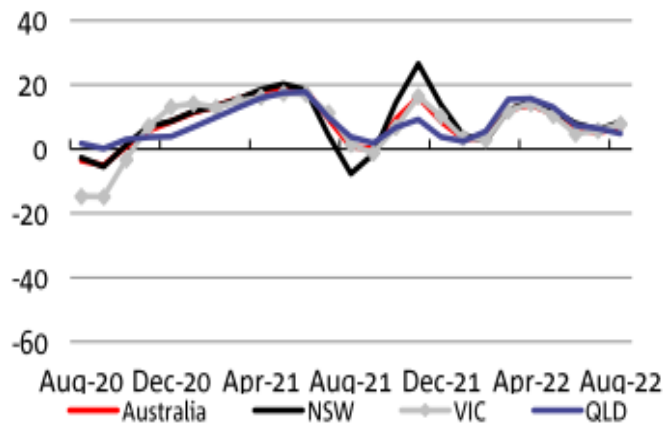
Australian PBI* and NAB business conditions index, 3 month moving average to August 2022



* 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, August 2022.

Chart 2: The NAB index of business confidence rose by 2 points to +10 index points in August to be marginally above its long-run average, after falling below average in June 2022.

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



Source: NAB, Monthly Business Survey, August 2022.

Chart 3: The ANZ-Roy Morgan consumer confidence index (weekly) fell by 0.5% w/w to 85.7 points in the week to 11 September. This is after the Reserve Bank increased the cash rate for the fifth time since November 2020 by another 0.50%.

ANZ-Roy Morgan Consumer Confidence Index, 2014 to 2022



Source: ANZ-Roy Morgan, Australian Consumer Confidence, September 5-11 2022

Chart 4: Weekly inflation expectations decreased by 0.1 percentage point to 5.3%. Its four-week moving average also declined by 0.1 percentage point to 5.4%.

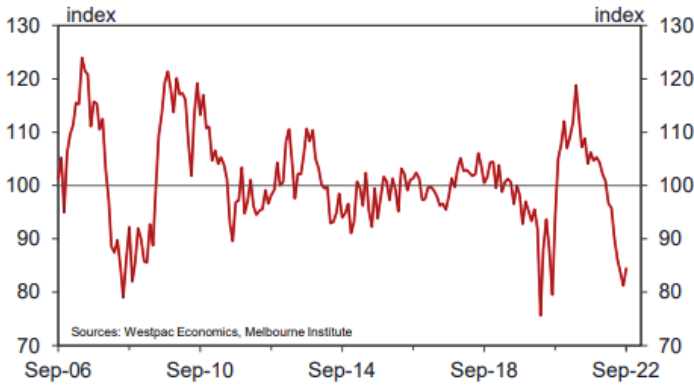
Inflation expectations, 2018 to 2022



Source: ANZ-Roy Morgan, Australian Consumer Confidence, September 5-11 2022

Chart 5: The monthly Westpac-MI Index of Consumer Sentiment improved by 3.9% to 84.4 points in early September. The index has been on a downward trend since the peak recorded in November 2021.

Westpac-MI Consumer Sentiment Index, September 2006 to September 2022



Source: Westpac-MI, *Consumer Sentiment*, September 2022.

Chart 6: Employment and aggregate work hours improved in August 2022. Employment increased by 0.2% (33,500 more employed persons), while aggregate work hours rose by 0.8% nationally in August to fully reverse the drop reported in July.

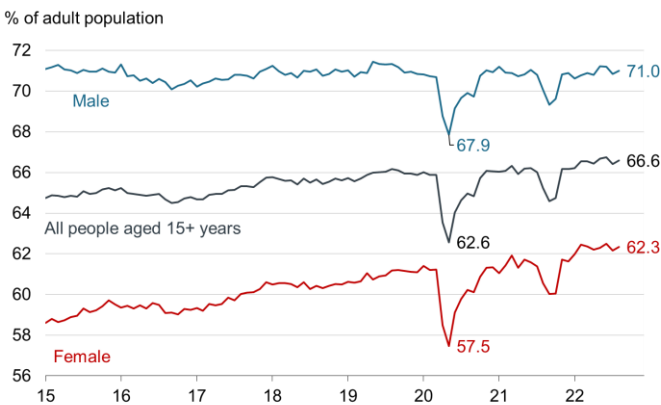
Total employment and work hours, 2015 to Aug 2022



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

Chart 7: Labour force participation rose marginally to 66.6% of the adult population, indicating an increase from last month. The participation rate of both male and female adults improved.

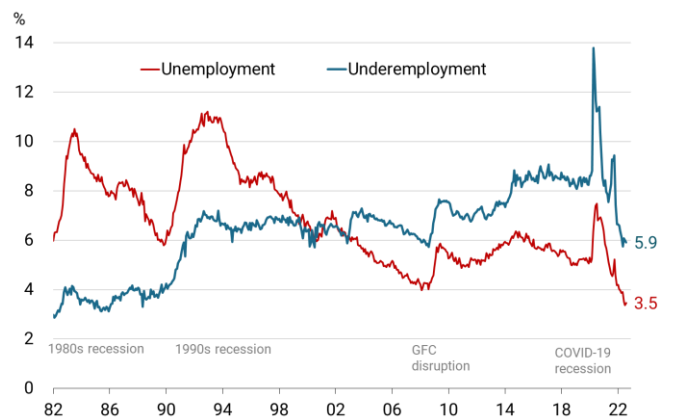
Participation rates by sex, 2015 to Aug 2022



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

Chart 8: The unemployment rate increased a touch to 3.5% of the active labour force, with 487,700 people actively seeking work in August. The **underemployment rate** dropped to 5.9% remaining at a low level.

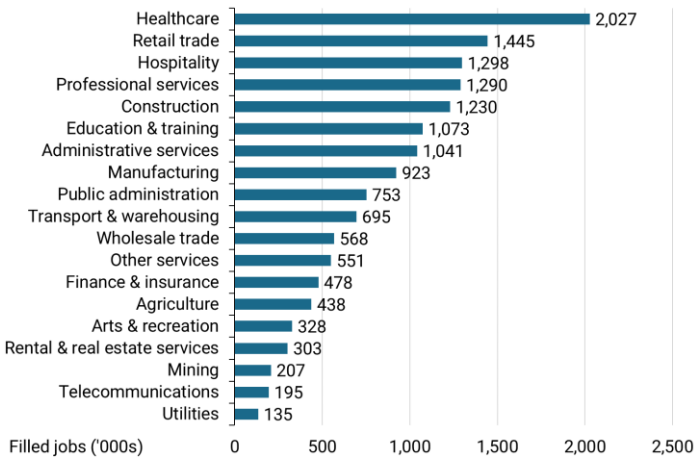
Unemployment and underemployment rates, 1982 to Aug 2022



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

Chart 9: Total employment rose to 14,977,300 filled jobs according to data relating to the June quarter. Healthcare jobs rose by 0.1% y/y to Q2, up to 2.03 million jobs and 13.5% of all filled jobs.

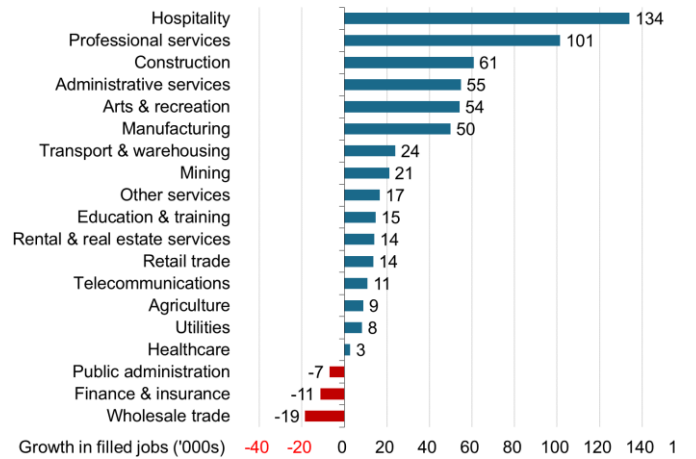
Filled jobs by industry, Q2 2022



Source: ABS, *Labour Account*, Jun 2022.

Chart 10: Total employment during the June 2022 quarter was lower than in the same period last year in just three industries. The largest increases over the year to Q2 were in hospitality and professional services. The largest falls in employment in Q2 2022 compared to one year earlier were in wholesale trade and finance.

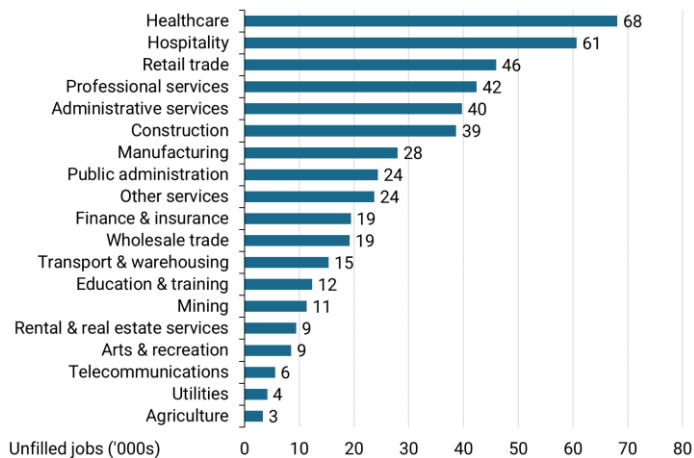
Change in filled jobs by industry, year to Q2 2022



Source: ABS, ABS, *Labour Account*, Jun 2022.

Chart 11: Total job vacancies over the year to the end of the June quarter rose to 480,500 unfilled jobs (3.1% of all jobs), hitting a new record high in Q2 2022. Healthcare job vacancies rose to 70,000 unfilled jobs nationwide in Q2 (3.2% of all healthcare jobs). Hospitality, professional services, retail trade and administrative services each had 40,000 or more jobs unfilled.

Unfilled jobs by industry, Q2 2022



Source: ABS, *Labour Account*, Jun 2022.

Chart 12: Total job vacancies (unfilled jobs) were higher in Q2 2022 than one year earlier in every industry. Unfilled jobs remained elevated in healthcare and hospitality due to growing demand. Other industries had sharp increases in vacant positions due to a mix of growing demand and rebuilding workforces depleted by COVID-19 and activity restrictions.

Change in unfilled jobs by industry, year to Q2 2022



Source: ABS, *Labour Account*, Jun 2022.

This week's data and events 12 September – 16 September 2022

Day	Date	Data/event	Data period
Tue	13 Sep	ABS, Overseas Arrivals and Departures	July 2022
Tue	13 Sep	NAB, Monthly Business Survey	August 2022
Tue	13 Sep	ANZ-Roy Morgan, Australian Consumer Confidence	September 5-11 2022
Tue	13 Sep	Westpac-MI, Consumer Sentiment	September 2022
Wed	14 Sep	ABS, Labour Account	June 2022
Thu	15 Sep	ABS, Labour Force	August 2022

Next week's data and events 19 September – 23 September 2022

Day	Date	Data/event	Data period
Wed	21 Sep	NSC, Internet Vacancy Index	August 2022
Wed	21 Sep	ABS, National, state and territory population	March 2022
Wed	21 Sep	ABS, Labour Force, Detailed	August 2022

Ai Group Industry Performance Indicators

Australian Performance of Manufacturing Index®	August 2022	49.3 ▼
Australian Performance of Construction Index®	August 2022	47.9 ▲
Australian Performance of Services Index®	August 2022	53.3 ▲

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

Australian economy: latest annual growth rates and RBA forecasts (as of Aug 2022)

% change over the year	Dec 2021	Jun 2022	Dec 2022	Jun 2023	Dec 2023	Jun 2024	Dec 2024
Gross domestic product (GDP)	4.2	3.6	3.2	2.3	1.8	1.8	1.7
Household consumption	3.5	6.0	4.9	2.8	2.4	2.3	2.2
Dwelling investment	5.3	-4.6	1.7	2.5	-0.1	-2.6	-4.8
Business investment	6.4	1.7	4.9	5.9	6.6	5.7	4.6
Public demand	5.1	3.5	3.6	-0.5	-0.7	0.8	1.8
Gross national expenditure	5.0	4.4	3.7	1.5	1.5	1.8	1.9
Imports	1.0	10.0	11.4	6.2	4.0	3.0	2.9
Exports	-2.6	4.9	8.6	9.8	5.1	2.8	2.2
Terms of trade	10.3	7.5	2.6	-14.6	-8.9	-4.4	-1.6
Real household disposable income	3.7	3.0	-0.9	-3.1	-0.9	0.9	1.5
Unemployment rate (qtr average, %)	4.2	3.8	3.4	3.4	3.5	3.7	4.0
Employment	2.1	3.2	4.4	2.2	1.4	1.1	0.9
Average wage rates (WPI)	2.3	2.6	3.0	3.4	3.6	3.8	3.9
Trimmed mean inflation (CPI)	2.6	4.9	6.0	5.0	3.8	3.3	3.0
Headline inflation (CPI)	3.5	6.1	7.8	6.2	4.3	3.5	3.0

■ = actual. □ = forecast. Sources: ABS, various data; RBA 'baseline scenario' in *Statement on Monetary Policy*, August 2022.

Forecasts 3 August. Forecasts are conditioned on a path for the cash rate broadly in line with expectations derived from surveys of professional economists and financial market pricing. Other forecast assumptions: TWI at 63, A\$ at US\$0.69 and Brent crude oil price at US\$94bbl. Assumed rate of population growth is broadly in line with the profile set out in the Aus Gov 2022/23 Budget.

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