ECONOMICS WEEKLY

22 June 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

Detailed labour market data released by the ABS this week provide a snapshot of Australian employment as of May 2018 across industries, states, occupations, work hours, sex and other characteristics. As of May 2018, 12.6 million people were engaged in paid work in Australia. Of these: 62.4% were employed on a permanent basis (that is, employees with paid leave entitlements), 21.0% were employed on a casual basis (that is, employees with no paid leave entitlements) while the rest of the workforce (16.6%) comprised of employers, self-employed and family workers. As a proportion of the workforce, casual work has remained steady over the past two decades, fluctuating between 19% and 21% of the total workforce.

Across industries, job gains over the year to May 2018 continue to be strongest in the large healthcare and construction sectors. These two sectors alone have accounted for about a third of new jobs in the past year (trend). Manufacturing employment also increased by 47,700 over the year and is now at its highest level since August 2012. Other sectors experienced modest jobs growth or declines.

Other leading indicators of employment growth suggest slower employment growth in coming months. This week the Department of Jobs and Small Business Internet Vacancy Index (IVI) fell for the third month in a row, with online job vacancies falling by 0.9% m/m to 180,700 in May (trend). Over the year, online jobs ads are up 5.8% p.a. although this is half the annual growth rate experienced at the start of 2018.

The ABS' latest estimates of Australia's residential population for the December quarter of 2017, indicate population growth is growing at around the recent historical average of 1.6% p.a. (population growth has averaged 1.6% p.a. from 2005 between 2017). Australia's population increased by almost 400,000 to 24.8 million people in 2017 and is expected to hit 25 million in August 2018. Net overseas migration continues to be the main driver of population growth in Australia, as it has been for many decades. Victoria currently has the strongest growth in resident population due to a combination of overseas migration, natural increases (births and deaths) and interstate migration.

The New South Wales State Budget was released this week and you can read Ai Group's response here. Also, please click here for Ai Group's analysis of the Queensland State Economy and State Budget for 2018-19 and our latest State Economies Snapshot.

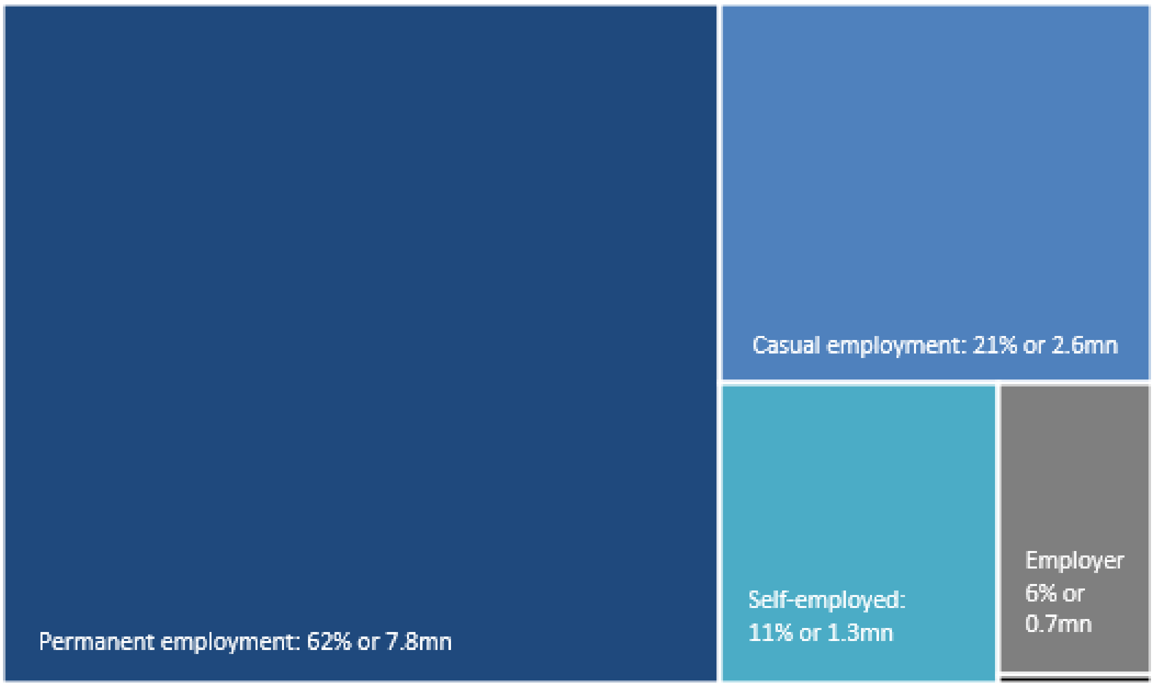
Casual employment remains around a fifth of the total workforce

As of May 2018, 12.6 million people were engaged in paid work in Australia, with 32.3% employed part-time and 67.7% employed full-time. Of these:

- 7.8 million of 62.4% were employed on a permanent basis (that is, employees with paid leave entitlements)
- 2.6 million or 21.0% were employed on a casual basis (that is, employees with not paid leave entitlements)
- 1.3 million or 10.7% were self-employed (that is, owner/managers of an enterprise with no other employees)
- 715,000 or 5.7% were employers (that is, owner/managers of an enterprise with employee other than themselves)
- 23,000 or 0.2% were family workers (that is, working for the family business).

Chart 1: Employment in Australia, by type, May 2018

Total workforce = 12.6 million

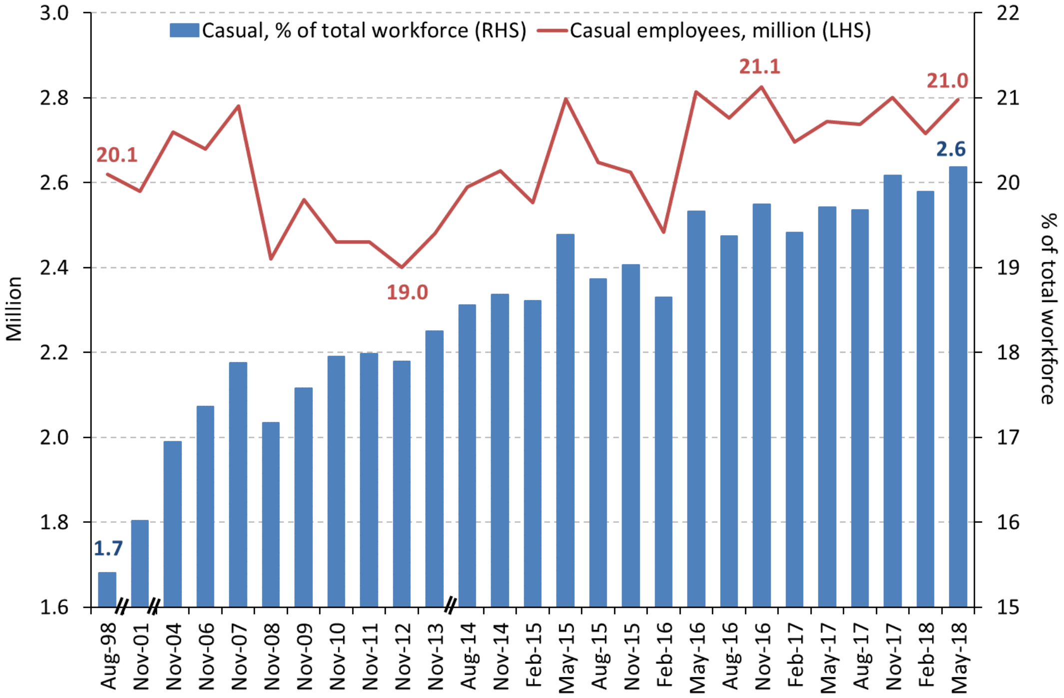


Source: ABS, *Labour force Australia, detailed quarterly, May 2018*

It is important to distinguish between part-time and casual employment. Part-time work overlaps with – but does not equal – casual work. Part-time work (defined by the ABS as working under 35 hours per week) has grown across all types of employment over several decades. It has been over 30% of the workforce since 2013. This reflects demographics (more female and older workers), structural changes (more services jobs) and personal circumstances (more recognition and accommodation of study, family care and other personal commitments).

The most common proxy for identifying and measuring casual work in various ABS labour force data series is 'employees without leave entitlements'. These data show that the absolute number of 'employees without leave entitlements' has grown steadily over the past two decades, from 1.7 million people in August 1998 to 2.6 million people in May 2018 (chart 2). However, as a proportion of the workforce, casual work has fluctuated between 19% and 21% of the total workforce over the past two decades. It is about the same in May 2018 (21.0%) as it was in 1998 (20.1%). During this period, casual workers as a proportion of the total workforce hit a low of 19% in November 2012 and a high of 21.1% in November 2016.

Chart 2: Number and proportion of 'casual' employees, 1998 to 2018*



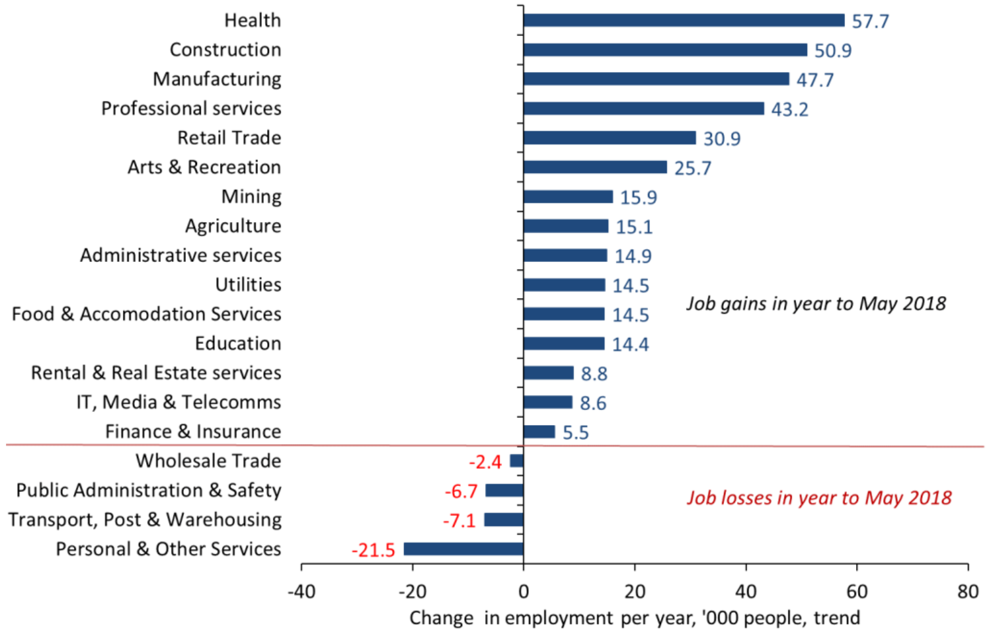
*Data available intermittently from August 1998 to August 2014. Data available quarterly from August 2014.
Source: ABS, *Characteristics of* employment; ABS, *Labour force Australia, detailed quarterly, May 2018*

Ai Group's recent research note on *Casual work and part-time work in Australia in 2018* can be found here.

Employment growth broad-based across most industries

The latest ABS labour force estimates show employment growth over the year to May 2018 was broad-based across industries, with 15 of the 19 industry sectors indicating positive employment growth (chart 3). The sectors with the largest increases in employment over the year to May 2018 were health (+57,700), construction (+50,900), manufacturing (+47,700) and professional services (+43,200), while falls were experienced in wholesale trade (-2,400), public administration (-6,700), transport (-7,100) and personal & other services (-21,500).

Chart 3: Employment growth by industry, May 2018 (trend)



Source: ABS, *Labour force Australia, detailed quarterly, May 2018*

Healthcare employment has risen is in response to increasing demand for health-related services (due to our ageing population, roll-out of the NDIS, income growth and technological advances). Healthcare now employs 1.7 million people, or 13.4% of the workforce. It is the most 'feminised' of all industries; 79% of the healthcare workforce are female and 46% work part-time (Table 1).

Within the construction sector, elevated building activity is driving up building construction employment (+13.2% p.a.), while the rise in infrastructure spending along the east coast has driven up heavy & civil engineering employment (+50.2% p.a. to about 120,000). Construction is estimated to be around its highest share of employment in a century and now employs 1.2 million people or 9.4% of the workforce. It has very high rates of full-time work (85%) and is the largest employer of full-time workers (Table 1).

Table 1: Key labour force numbers, by industry, May 2018

Trend and original data	Employment Level (trend) '000 people	% of total	Employment change p.a. (trend) '000	%	Average hours per worker (original) hours per week	Part-time workers (original) % of industry	Under-employment ratio (original) % of industry	Female workers (original) % of industry	Public sector workers (original) % of industry
Agriculture	325.6	2.6	15.1	4.9	41.3	27.8	4.0	30.1	0.3
Mining	234.3	1.9	15.9	7.3	44.5	4.3	1.5	16.3	0.2
Manufacturing	940.3	7.5	47.7	5.3	36.7	17.1	5.2	29.5	0.1
Utilities	150.3	1.2	14.5	10.7	37.2	12.6	1.7	23.8	9.3
Construction	1,182.6	9.4	50.9	4.5	37.7	15.3	5.9	12.0	0.8
W'sale Trade	364.4	2.9	-2.4	-0.6	37.6	17.9	3.7	34.7	0.0
Retail Trade	1,290.6	10.3	30.9	2.5	28.1	52.0	17.3	55.0	0.1
Hospitality.	897.5	7.1	14.5	1.6	26.1	60.3	20.7	54.9	0.4
Transport & Warehousing	627.6	5.0	-7.1	-1.1	36.5	22.6	6.8	20.9	10.5
IT & Telecomms	227.1	1.8	8.6	4.0	34.5	20.8	6.4	42.0	4.5
Finance & Ins.	441.5	3.5	5.5	1.3	36.6	16.6	3.1	48.1	0.7
Real Estate	220.2	1.8	8.8	4.2	34.6	26.3	4.5	48.5	2.3
Professions	1,050.0	8.4	43.2	4.3	35.9	22.2	4.4	43.3	2.4
Admin. services	418.8	3.3	14.9	3.7	29.3	43.8	12.6	51.5	2.1
Public Admin.	755.0	6.0	-6.7	-0.9	33.6	17.9	3.5	48.7	75.7
Education	1,013.0	8.1	14.4	1.4	30.9	39.8	9.4	73.2	50.0
Health	1,680.9	13.4	57.7	3.6	29.7	45.6	8.9	79.0	20.3
Arts & Rec.	251.7	2.0	25.7	11.4	28.8	49.2	18.4	46.4	9.1
Personal Services	478.5	3.8	-21.5	-4.3	33.3	31.9	9.3	43.6	1.4
All Industries	**12,564.0**	**100.0**	**340.2**	**2.8**	**33.2**	**32.3**	**8.8**	**47.0**	12.9

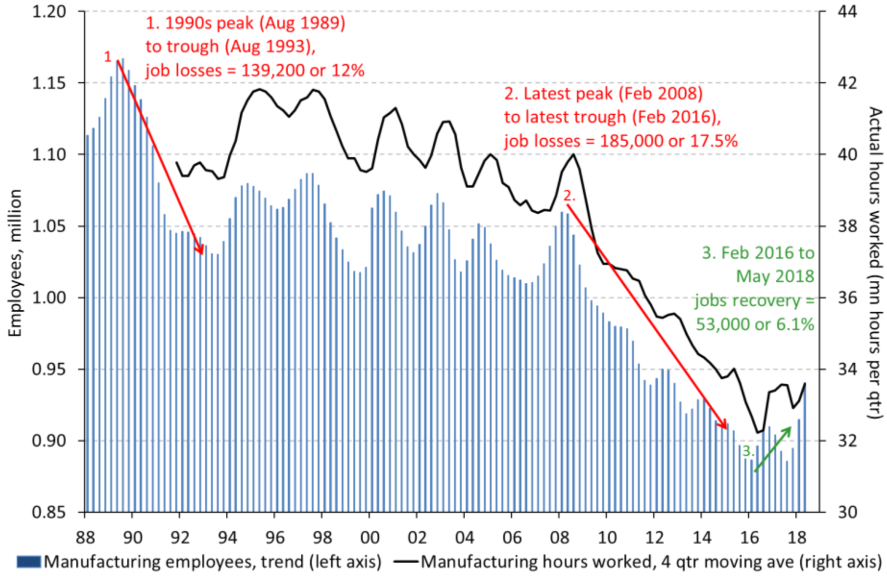
Source: ABS, *Labour force Australia, detailed quarterly, May 2018*

Manufacturing employment reaches highest level since August 2012

Manufacturing employment reached its highest level since August 2012, rising 5.3% p.a. to 940,000 in the year to May 2018. On a quarterly basis, manufacturing experienced the largest increase in employment of all sectors, increasing by 25,500 in the quarter to May 2018. Total manufacturing employment has rebounded after 2016's slump and now accounts for 7.5% of all employment (chart 4).

Total hours worked in the industry increased 5.7% over the year reflecting an increase in the number of both full-time and part-time employment in the sector. Manufacturing is one of the highest full-time employing sectors with 83% of the workforce in full-time employment. Female employment now accounts for a record high of 29.5% of the manufacturing workforce. This is lower than most other sectors but higher than many of the other industrial sectors.

Chart 4: Employment and work hours in manufacturing, to May 2018 (trend)



Source: ABS, *Labour force Australia, detailed quarterly, May 2018*

Employment in the largest manufacturing sub-sector (food, beverages and tobacco) expanded by 27,200 over the year to May 2018 and now accounts for 28% of manufacturing employment. Other large sub-sectors also increased employment including machinery and equipment (including transport equipment, +22,300) and metal products (+15,800), which are benefiting from construction and engineering activity, as well as mining, defence, utilities and agricultural projects. The transport and equipment sub-sector shed 11,400 jobs over the year. This may be related to the departure of passenger car assembly from Australia, which employed around 21,700 people as of June 2017 (with 9,600 in motor vehicle manufacturing and 12,000 in motor vehicle parts manufacturing in June 2017, according to ABS Australian Industry, 2016-17). However, the transport equipment sector still employs 67,500 people as of May 2018 in the production of trucks, buses, trains, trams and other transport equipment.

The employment data for May appears to reflect results in the **Australian PMI®** for the start 2018. The larger manufacturing sub sectors are continuing to see a sustained period of expansion and/or recovery, while weaker conditions remain evident in the textile clothing & other; and the printing & recorded media sub-sectors (Table 2).

Table 2: Manufacturing sub-sector employment, May 2018

Original data	'000 people	% share of manufac.	000 change p.a.	% change p.a.
Food, beverages & tobacco	257.2	28.4	27.2	10.6
Machinery & equipment*	202.2	22.3	26.4	13.1
Petroleum & chemicals	105.2	11.6	20.6	19.6
Metal products	143.6	15.8	11.8	8.2
Non-metallic minerals	33.8	3.7	-1.9	-5.7
Wood & paper	69.6	7.7	12.3	17.7
Textile, clothing & other	115.6	12.7	-21.5	-18.6
Printing & recorded media	31.7	3.5	-10.7	-33.9
Manufacturing	**958.8**	**7.6**	**64.1**	**6.7**

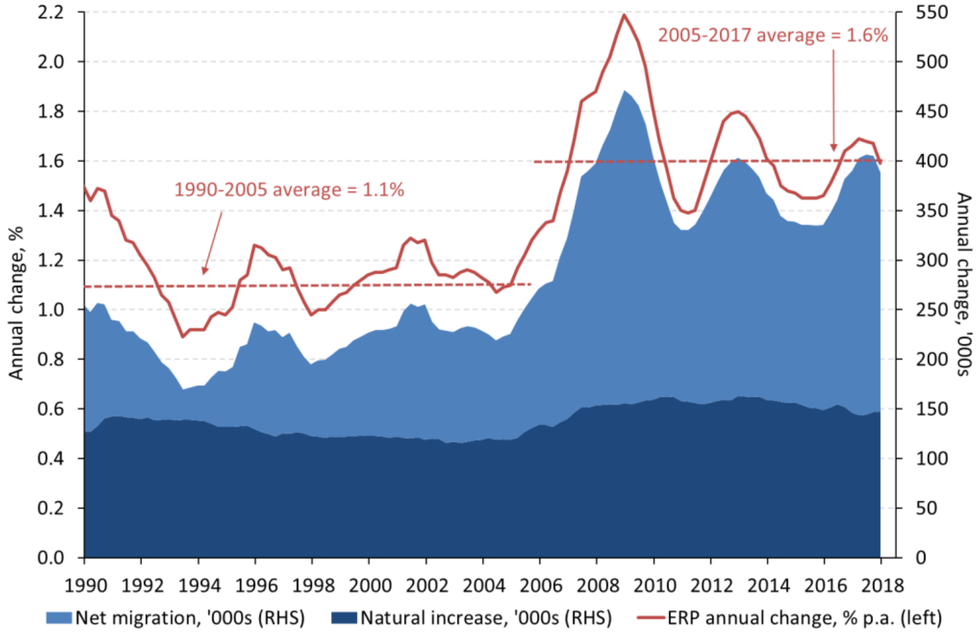
*includes transport equipment manufacturing

Source: ABS, *Labour force Australia, detailed quarterly, May 2018*

Australia's population continues to rise 2017

Other data released this week indicate that Australia's population grew by 388,000 people in 2017 to reach 24.8 million and it is projected that Australia will reach a population of 25 million in early August 2018. Net overseas migration (permanent and long-term arrivals less departures) accounted for 62.0% of the rise, (240,400 more people), with natural population growth (births less deaths) accounting 38% of the rise (147,500 more people). In absolute terms, population growth is slightly higher than the average increase since 2005 of 360,000 per year. However, the current population growth rate is in line with the 2005 to 2017 average of 1.6% p.a. (see Chart 5).

Chart 5: Australian estimated resident population (ERP) growth



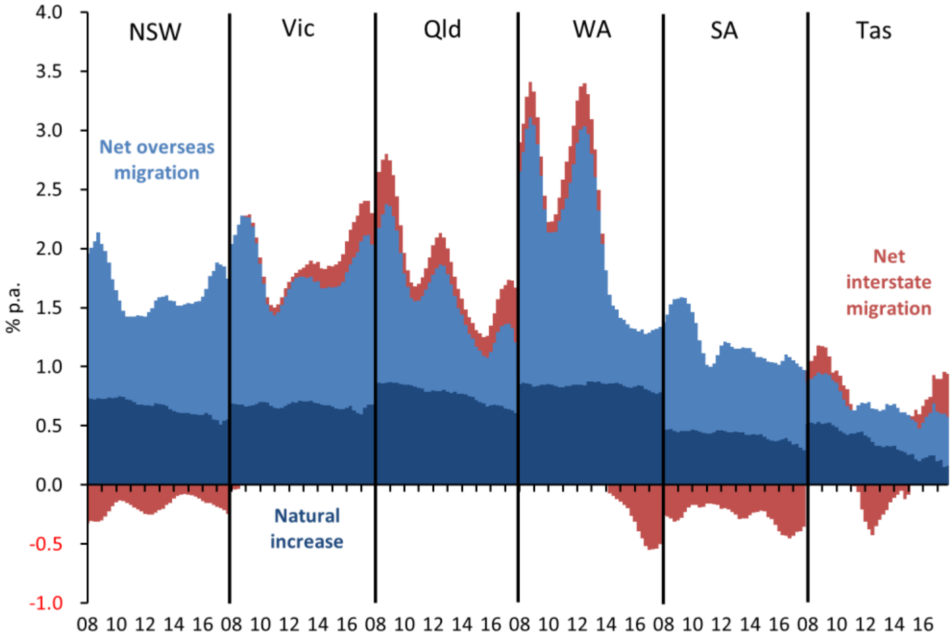
Source: ABS, *Australian Demographic Statistics,* Dec 2017

All states and territories experienced population increases in 2017, ranging from 0.2% p.a. in Northern Territory to 2.3% p.a. in Victoria. The strongest growth rates were in eastern states of Victoria (2.3% p.a.), ACT (2.2% p.a.), Queensland (1.7% p.a.) and NSW (1.5% p.a.).

Most new immigrants moved to either Victoria (98,800) or New South Wales (93,000). Natural increases in the population occurred across all states, with the highest numbers added in New South Wales (43,100), followed by Victoria (42,300) and Queensland (29,600).

Queensland had the highest number of net interstate migrants in the year 2017 at 22,500. Net interstate migration also added to the population in Victoria and Tasmania while New South Wales, South Australia and Western Australia all recorded net interstate migration losses (see Chart 6).

Chart 6: Estimated resident population (ERP) growth rates, by state and type



Source: ABS, *Australian Demographic Statistics* Dec 2017

This week's data and events, 18 Jun – 22 Jun 2018

Day	Date	Data/event	Data period	Previous release
Mon	18 May	ABS Overseas Arrivals and Departures	Apr (M)	Arrivals -1.9% m/m, Departures -1.3% m/m
Tue	19 May	RBA Minutes	Jun (M)	Cash rate 1.50%
Wed	20 May	Department of Jobs and Small Business Internet Vacancy Index	May (M)	-0.9% m/m, +5.8 p.a. (trend)
		ABS Characteristics of Australian Exporters	2016-17 (A)	51,992 goods exporting businesses, +1% p.a.
		ABS Government Benefits, Taxes and Household Income	2015-16	-
Thu	21 May	ABS Demographic Statistics	Dec (Q)	Population 24.8 million; Estimated Resident Population +1.6% p.a.
		ABS Labour Force Detailed Quarterly	May (Q)	-
		RBA Bulletin	Jun (Q)	-

M = monthly. Q = quarterly. H = half-yearly. A = annual. All data are seasonally adjusted unless otherwise noted.

Next week's data and events, 25 Jun – 29 Jun 2018

Day	Date	Data/event	Data period due for release	Previous release
Tue	26 Jun	ABS Land Management and Farming in Australia	2016-17 (A)	2015-16 (A): 85,681 agricultural businesses, +1.1% p.a.
Wed	27 Jun	ABS Engineering Construction Activity	Mar (Q)	Dec (Q): -35.1% q/q, +9.9% p.a.
Thu	28 Jun	ABS National Accounts: Finance and Wealth	Mar (Q)	Dec (Q): Total national capital formation $102.2bn
		ABS Job Vacancies	May (Q)	Feb (Q): +4.0% q/q, +18.7% p.a.
Fri	29 Jun	RBA Financial Aggregates	May (M)	Apr (M): Total credit +0.4% m/m, +5.1% p.a.
		RBA International Reserves & Foreign Currency Liquidity	May (M)	Apr (M): Official reserve assets $72.7bn

M = monthly. Q = quarterly. H = half-yearly. A = annual. B= Biennial. All data are seasonally adjusted unless otherwise noted.

Australian economy: latest full-year growth rates and government forecasts

RBA SoMP (May 2018)	2016-17 actual	2017-18 f	2018-19 f	2019-20 f	2020-21 p	2021-22 p
GDP, % change p.a., year end	1.8	2.75	3.5	3.0		
Unemployment rate, %, year end	5.6	5.5	5.25	5.25		
Inflation (CPI), % change p.a., year end	1.9	2.0	2.25	2.25		
Treasury Budget 2018-19 (May 2018)						
GDP, % change p.a., year average	2.1	2.75	3.0	3.0	3.0	3.0
Household consumption, % p.a., year average	2.6	2.75	2.75	3.0		
Dwelling investment, % p.a., year average	2.8	-3.0	1.5	0.0		
Business investment, % p.a., year average	-4.0	4.5	3.0	4.5		
Employment growth, % p.a., year end	1.9	2.75	1.5	1.5	1.25	1.25
Unemployment rate, %, year end	5.6	5.5	5.25	5.25	5.25	5.0
Terms of trade, % change p.a., year end	14.4	1.5	-5.25	-2.25		
Inflation (CPI), % change p.a., year end	1.9	2.0	2.25	2.5	2.5	2.5
Wages (WPI), % change p.a., year end	1.9	2.25	2.75	3.25	3.5	3.5

f = forecast. p = projection.
Sources: ABS various data; RBA *Statement on Monetary Policy* (SoMP), latest quarter; Australian Treasury, *Budget 2018-19* (May 2018).

Australian economy: latest indicators

Economy				FX and commodity prices (Friday morning)		
RBA official cash rate, %	Jun (M)	1.50		AUD/USD exchange rate	US$0.7379	▼
Real GDP, % change p.a.	Mar (Q)	3.1%	▲	Oil price (WTI light crude, USD/BBL)	US$66.32	▼
Headline CPI, % change p.a.	Mar (Q)	1.9%	-	Gold price (USD/OZ)	US$1,267.71	▼
Unemployment rate, % trend	May (M)	5.5%	-	Copper price (USD/tonne, LME spot)	US$6818.00	▼

Australian Industry Group monthly performance of industry indexes

Australian PMI®	May (M)	57.5	▼
Australian PSI®	May (M)	59.0	▲
Australian PCI®	May (M)	54.0	▼

M = monthly. Q = quarterly. All data are seasonally adjusted unless otherwise noted.
Arrows represent direction of movement relative to last week for prices, and last observation for growth rates and indexes.
Sources: ABS various data; Ai Group; Australian Financial Review market prices (as of Thu); London Metals Exchange market prices (as of Fri).

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