

# IR POLICY AND GOVERNANCE UPDATE



## INTRODUCTION

This week we review the RBA's latest interest rate decision and surrounding factors, tardiness in applying for a Director ID has resulted in a grace period, workplace Christmas functions, and a reminder to sign up and come along to our webinar next week to hear about the recent workplace relations legislative amendments.

## RBA DECEMBER DECISION

In its December interest rate decision, the RBA Board determined to increase the cash rate by 25 basis points to 3.1%. This is the eighth consecutive rate increase. The Board determined to make this increase for numerous reasons.

Inflation in Australia is too high, at 6.9 per cent over the year to October. Global factors explain much of this high inflation, but strong domestic demand relative to the ability of the economy to meet that demand is also playing a role. Returning inflation to target requires a more sustainable balance between demand and supply.

A further increase in inflation is expected over the months ahead, with inflation forecast to peak at around 8 per cent over the year to the December quarter. Inflation is then expected to decline next year due to the ongoing resolution of global supply-side problems, recent declines in some commodity prices and slower growth in demand. Medium-term inflation expectations remain well anchored, and it is important that this remains the case. The Bank's central forecast is for CPI inflation to decline over the next couple of years to be a little above 3% over 2024.

The Australian economy is continuing to grow solidly. Economic growth is expected to moderate over the year ahead as the global economy slows, the bounce-back in spending on services runs its course, and growth in household consumption slows due to tighter financial conditions. The Bank's central forecast is for growth of around 1.5% in 2023 and 2024.

The labour market remains very tight, with many firms having difficulty hiring workers. The unemployment rate declined to 3.4% in October, the lowest rate since 1974. Job vacancies and job ads are both at very high levels, although they have declined a little recently. Employment growth has also slowed as spare capacity in the labour market is absorbed. Wages growth is continuing to pick up from the low rates of recent years and a further pick-up is expected due to the tight labour market and higher inflation.

Generally, there is no RBA Board meeting in January, so we now wait until February 2023. Nevertheless, the RBA expects further interest rate increases in the year ahead.

## GRACE PERIOD FOR DIRECTOR ID'S

Further to previous advices to members, Directors of Australian small businesses that have yet to apply for a Director ID number (original deadline was 30 November 2022) have been given a short reprieve, with the [Australian Business Registry Services](#) (ABRS) confirming they have up to 14 December to sign up.

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The mandatory system, which was introduced in November 2021, is designed in part to combat illegal phoenixing activity, which the ATO estimates costs Australia up to \$5 billion a year. All directors of Australian companies, registered Australian bodies and registered foreign companies must apply for the 15-digit identifier, which then follows them throughout their careers.

## **CHRISTMAS FUNCTIONS**

Yes, it's that time of the year again! For those businesses that are holding Christmas functions there are a number of issues for members to consider and ensure the event doesn't come back to bite them in the new year. To assist members, we provide a micro-session from the PVCA HR Helpdesk for members to review and consider:

<https://hrhelpdesk.org.au/getattachment/7a302e12-bf37-419e-8046-9fd3a5083f17/Microlearning-November-2022-End-of-Year-Events>

It's only about three minutes long, but might help you avoid months of issues in 2023.

## **PVCA WEBINAR ON IR AMENDMENTS**

Finally, don't forget to sign up and come along to our [IR Legislation Member Briefing](#) next week. I will be covering the primary issues of concern for the industry and what you need to consider for your business.

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## **CONTACT**

Any Industrial Relations Member who has a related query should contact Charles Watson, GM – IR, Policy and Governance via email [charles\\_watson@pvca.org.au](mailto:charles_watson@pvca.org.au)

## **DISCLAIMER**

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