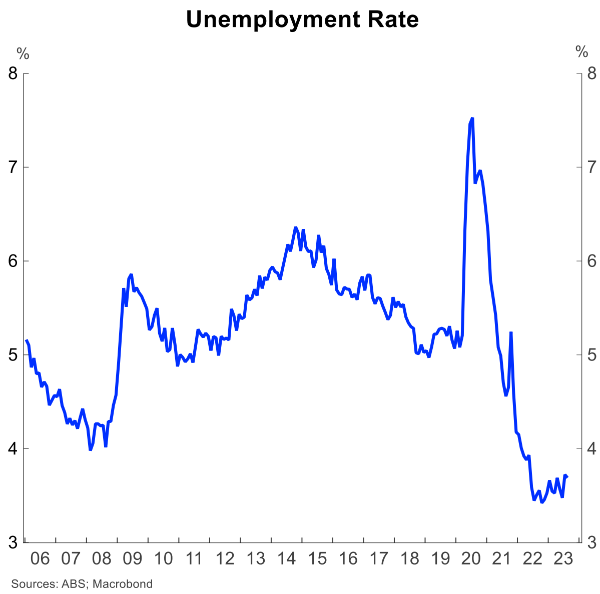
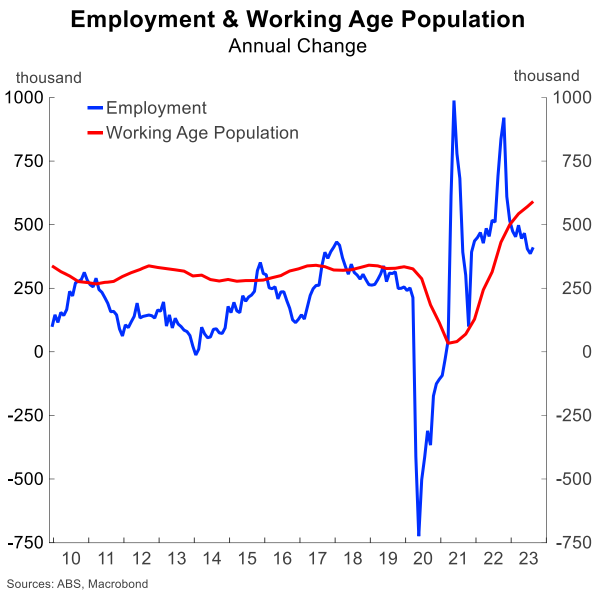
Thursday, 14 September 2023

Labour Force Survey
WWC Fever Adds to Jobs Gains

- **Employment surged by 64.9k in August, reflecting a rebound from a 1.4k fall in July. The bounce reflected a recovery from seasonal effects after the timing of school holidays impacted July.**
- **Temporary factors such as the Women's FIFA World Cup also likely had an effect. Part-time jobs spiked by the most in almost 2 years. The crescendo of the tournament was in August and would have pushed up casual and part-time employment.**
- **Looking through this volatility, average growth over the past two months was 31.7k – only slightly below average monthly growth over the last 12 months of 34.2k. While the labour market remains tight, only a tepid slowing is underway. On a three-month basis, employment growth slowed to 30.3k, from 33.5k in July, and down from the 2023 peak of 48.1k in March.**
- **The unemployment rate was unchanged at 3.7%, as strong employment growth was matched by a gain in the labour force. In a sign of strength, the participation rate rose to a record 67.0%. The employment-to-population ratio also rose to a near record high of 64.5%.**
- **For the Reserve Bank (RBA), recent readings are arguably falling into a goldilocks scenario – not too hot and not too cold. The easing in jobs gains have been orderly. Robust employment continues to support household income. The RBA will take some solace from this.**
- **Today's data supports the view that the RBA will remain on hold next month, as it assesses the data flow and monitors the impact of hikes to date. A further re-acceleration of labour market or inflationary pressures will likely be a necessary threshold for additional hikes to materialise. However, a tightening bias will probably be maintained as we are not out of the woods yet.**





Employment jumped sharply in August, reflecting the rebound from seasonal impacts which weighed on the July numbers. Employment surged by 64.9k people, following a 1.4k decline in July – which was revised lower from an initially reported 14.6k drop. The July numbers were affected by the timing of school holidays, which impacts when people start employment and contributed to a fall in that month. Consequently, these factors were unwound in August, contributing to the large surge in employment growth. Additionally, temporary factors such as the Women's FIFA World Cup likely impacted the numbers, as the crescendo of the tournament was in August and may have contributed to increases in temporary employment.

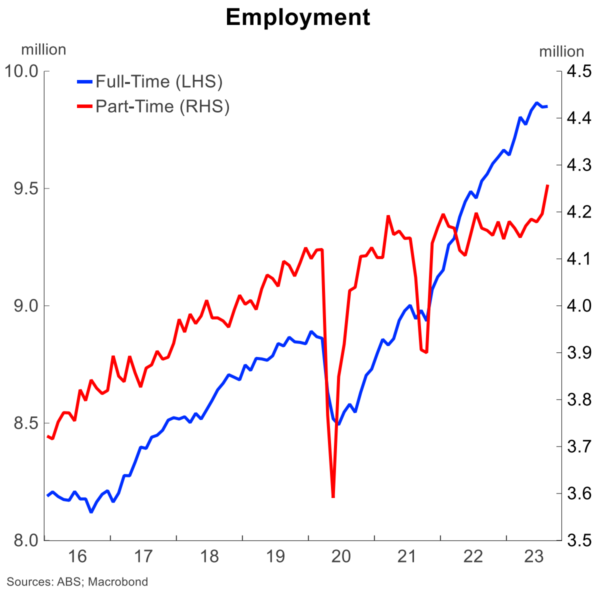
The monthly surge was the strongest jump since May this year, which also reflected a rebound in growth following seasonal factors which impacted April.

When faced with periods of volatility due to seasonal impacts, it is helpful to look through some of these impacts by averaging the result over the affected months. In this case, the average employment growth over July and August was 31.7k – only slightly below the average monthly employment growth over the last 12 months of 34.2k.

The result suggests that the labour market remains tight, albeit a very gradual slowing is still emerging. Looking at the three-month moving average of employment growth, the slowdown that has been in place for much of 2023 is still in place. Average employment growth over the past three months was 30.3k – from 33.5k last month and down from the 2023 peak of 48.1k in March.

Part-time employment surged in the month, jumping 62.1k. This was the strongest monthly gain in part-time employment since November 2021, when the economy was reopening following the Delta lockdowns. The August rise followed a 17.3k gain in July. On the other hand, full-time employment rose by a modest 2.8k in the month, following an 18.7k drop in July.

The surge in part-time employment may have partly reflected the need for temporary workers for the Women's FIFA World Cup. Additionally, the rise may also be an early sign of increasing cautiousness by businesses, who may be looking to shift their hiring towards more part-time and casual staff if they are expecting demand to slow over coming quarters. However, we will need to wait for additional data to confirm whether this is a trend or more reflective of a seasonal impact.



In a sign of continued labour market tightness, the participation rate rose to a new record high of 67.0% – up from 66.9% in July. The strong demand for labour continues to offer people the opportunity to participate in the labour market and get a job, supporting household income.

Record population growth continues to be one of the factors behind a gradual easing in labour market pressures. The working age population grew at a record 2.8% through the year to August. This compares with employment growth of 3.0% over the same period. So far, labour demand has been strong enough to absorb this surge in supply. However, we expect labour demand to slow into 2024, contributing to an expected rise in the unemployment rate as labour supply runs ahead of labour demand.

On balance, the August numbers point to a labour market which remains tight but isn't getting tighter. The gradual slowing that we are expecting is likely to gather pace as we move into 2024, reflecting weaker economic growth.

Unemployment Rate

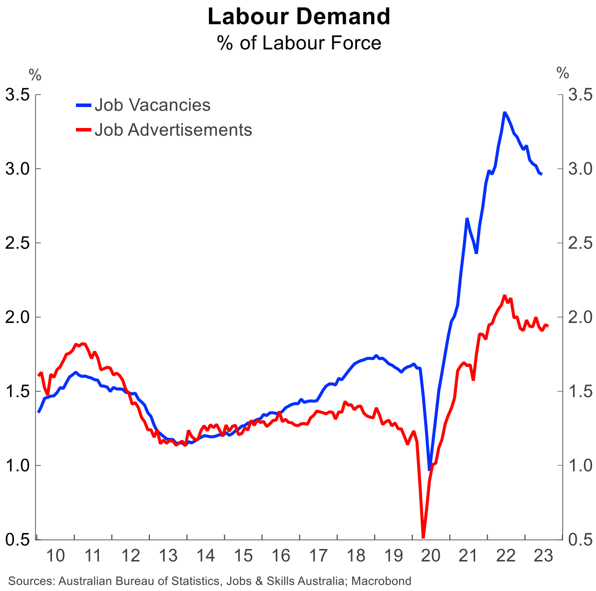
Employment rose in August while the number of unemployed people fell 2.6k. However, the participation rate also rose to a record 67.0% as the size of the labour force grew by 62.2k. The combination of these changes meant that the unemployment rate remained unchanged, at 3.7%.

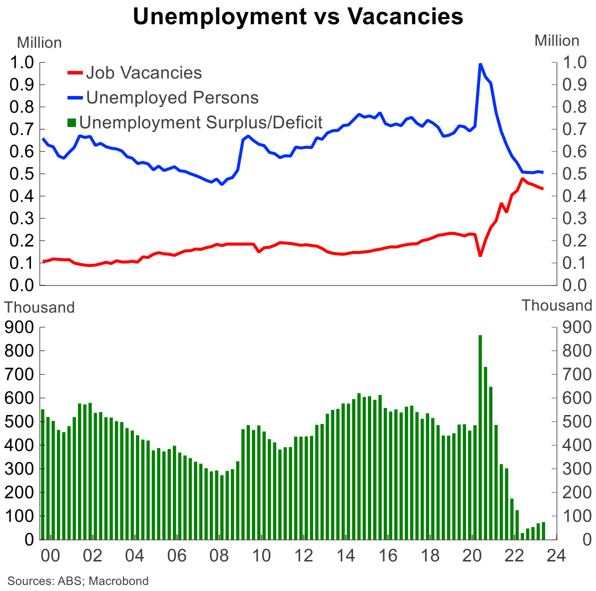
The States

	NSW	VIC	QLD	SA	WA	TAS	ACT	NT
Monthly Change in Employment (000's)	24.5	-2.7	13.6	5.9	14.7	3.1	3.6	0.1
Annual Change in Employment (000's)	120.2	134.2	52.7	37.8	43.8	7.2	10.0	0.7
Unemployment Rate (%)	3.6	3.5	4.1	3.6	3.8	4.4	3.1	4.3
Change in Unemplyment Rate (ppts)	0.3	-0.1	-0.3	-0.4	0.3	-0.3	-0.6	0.5

*Seasonally Adjusted

Other Labour Market Measures





Broader measures of labour market tightness supported the view that a gradual easing remains underway. The underemployment rate – which measures the share of employed workers who wish to work more hours – rose to 6.6% in August, from 6.4% in July. The underutilisation rate – which combines the unemployment and underemployment rates – rose to 10.2% from 10.1% in

July. Both have been trending higher over 2023 and hit their highest levels since February 2022. However, they remain well below their respective 10-year pre-pandemic averages.

Labour demand remains strong, but has also been slowly easing from very elevated levels. Job ads rose 1.9% in August and vacancies remain at almost 3% as a share of the labour force.

Outlook

The labour market has been an outstanding performer in the Australian economy for quite some time. Today’s data shows that while the overall tightness continues, a very gradual slowing remains underway and there is little evidence that a re-acceleration is upon us.

For the Reserve Bank (RBA), recent labour market readings are arguably falling into somewhat of a goldilocks scenario – not too hot and not too cold. The easing to date has been orderly and robust employment conditions continue to support household incomes during a time of elevated inflationary pressures and weaker economic growth. The RBA will take some solace from this.

Today’s data supports the view that the RBA will continue to remain on hold as it assesses the data flow and monitors the impact of the aggressive monetary policy tightening to date. A further re-acceleration of labour market or inflationary pressures will likely be a necessary condition for additional hikes to materialise. However, the RBA are likely to maintain a tightening bias as inflationary risks still abound and we are not out of the woods yet.

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