

Economic Analysis

Employment and Hours Worked

Employment rose by a seasonally adjusted 0.5k in January, following a 62.7k slump in December (revised from -65.1k). The January increase was a large disappointment for market participants, who expected a 25.0k gain.

Employment remains 2.6% up through the year, both in seasonally adjusted and trend terms. However, the pace of trend employment growth has clearly slowed.

The slight uptick in employment in January reflected an 11.1k increase in full-time employment, almost fully offset by a 10.6k decline in part-time employment.

Aggregate hours worked fell 2.5%, to be just 0.7% higher than a year ago, with a clear downward trend.

Australia (Seasonally Adjusted)	Jan ('000)	Dec ('000)	YoY (%)
Total	0.5	-62.7	2.6
Full Time	11.1	-109.4	1.3
Part Time	-10.6	46.7	5.5
Aggregate Hours Worked (%)	-2.5	-0.5	0.7
Participation Rate (%)	66.8	66.8	-
Unemployment Rate (%)	4.1	3.9	-

Unemployment, Underutilisation and Participation

The unemployment rate rose to a two-year high of 4.1%, but this is still low by historical standards. The trend unemployment rate remained at 3.9%.

The underemployment rate increased to 6.6%, while the underutilisation rate, which combines unemployment and underemployment, picked up to 10.7%.

The participation rate remained at 66.8%.

The States

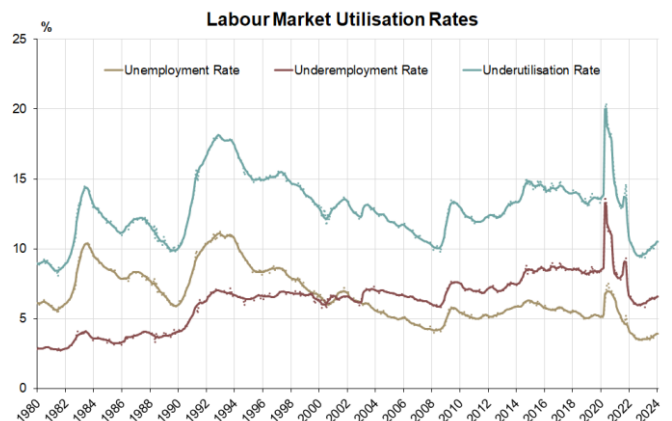
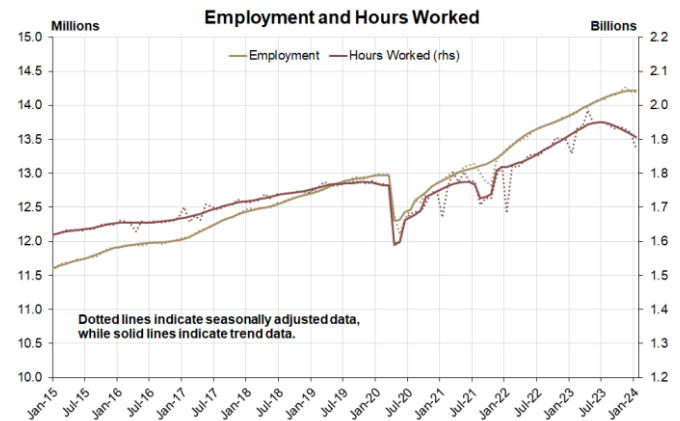
Labour market developments were mixed across states. New South Wales and Tasmania saw quite sharp declines in seasonally adjusted employment, while South Australia saw only a slight fall. The other states, including Western Australia, registered increases in employment.

New South Wales and Tasmania also saw the strongest increases in unemployment rates, while Victoria and Queensland were the only states that saw a slight decrease in the unemployment rate.

Western Australian employment rose by 0.7k, to be up 3.7% through the year, which is the second strongest annual increase of all the states. The unemployment rate picked up to 4.2%, while the participation rate was steady at 69.5%, by far the highest level of all the states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	0.7	3.7	4.2
New South Wales	-23.1	1.4	4.1
Victoria	2.1	4.2	3.9
Queensland	3.0	2.6	4.2
South Australia	-0.3	1.0	4.0
Tasmania	-5.3	-0.9	4.5

Labour Force January 2024



Comment

The January labour force survey results were again disappointing, with the consensus expecting employment to make up some of the December slump.

The ABS notes there may have been slight changes in the seasonal pattern around the summer holidays over the past three years, with more people who are unemployed or not in the labour force in January, waiting to start a job in the following four weeks. Therefore, we may see a recovery in employment in coming months.

That said, the softening of labour market conditions has been clear for some time, with hours worked on a declining trend, while the unemployment and underemployment rates are heading upwards.

Despite the slight easing, labour market conditions remain tight, with the still-low underutilisation measures and just two officially unemployed per internet job vacancy. Advertised wages continue to rise at a steady pace of 4.5% YoY, though monthly growth has slowed somewhat.

The labour force survey triggered a slight increase in expectations for a cash rate cut, a fall in Commonwealth bond yields and depreciation of the Australian dollar.

15 FEBRUARY 2024

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