Labour Force September 2025

Employment and Hours Worked

Employment rose by 14.9k in September, somewhat less than the 20.0k gain expected by markets. This followed a downward revision of the August figures (to -11.9k from the initially estimated -5.4k).

The annual rate of employment growth slowed to 1.3%, the least since March 2021.

The 14.9k gain in employment came both from full- and part-time jobs, which rose by 8.7k and 6.3k, respectively.

Aggregate hours worked picked up by 0.5%, reversing the 0.4% fall in the previous month. Annual rate of growth increased to a still-sluggish 1.4%.

Australia (Seasonally Adjusted)	Sep ('000)	Aug ('000)	YoY (%)
Total	14.9	-11.9	1.3
Full Time	8.7	-48.6	1.0
Part Time	6.3	36.7	2.0
Aggregate Hours Worked (%)	0.5	-0.4	1.4
Participation Rate (%)	67.0	66.9	-
Unemployment Rate (%)	4.5	4.3	-

Unemployment, Underutilisation and Participation

The seasonally adjusted unemployment rate rose from the upwardly revised 4.3% in August to 4.5%, which is the highest level since November 2021.

The increase in the unemployment rate came as unemployment picked up by 33.9k. Coupled with a rise in employment, this led to a 0.1ppts uptick in the participation rate to 67.0%, which is slightly below the record high of 67.2% from January.

The underemployment rate rose by 0.2ppts to 5.9%, while the underutilisation rate – which combines underemployment and unemployment – picked up to a year-high of 10.4%.

The States

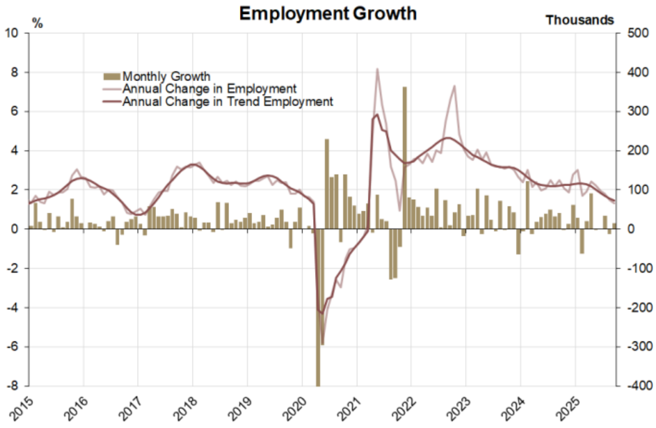
Labour market indicators were again mixed across the states in September.

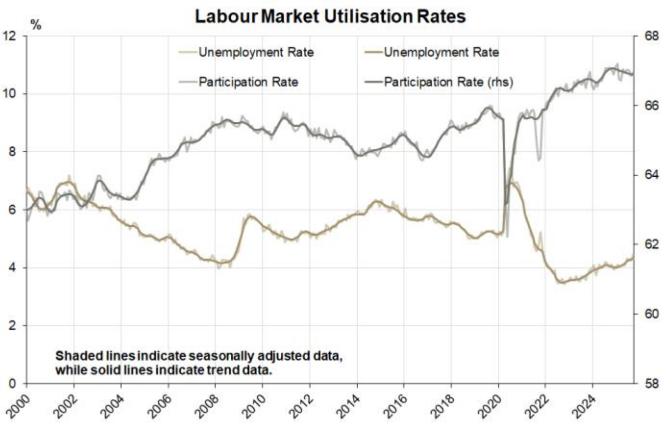
Employment rose in most states, except Victoria and Tasmania. The strongest gain was recorded in Queensland, followed by Western Australia.

At the same time, Victoria was the only state that saw a decline in the unemployment rate, which however was the highest of all states, at 4.7%. Queensland registered the lowest unemployment rate of 4.2%.

Western Australian employment rose by 6.6k in September, to be up by 1.2% through the year. The unemployment rate increased by 0.4ppts to 4.3%, as the participation rate picked up to 68.4%, to remain the highest of all states. The employment-to-population ratio, at 65.5%, is also by far the highest of the states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	6.6	1.2	4.3
New South Wales	6.0	0.1	4.3
Victoria	-3.2	1.5	4.7
Queensland	14.5	2.2	4.2
South Australia	4.9	3.9	4.5
Tasmania	-1.2	1.8	4.3





Comment

The September labour force survey was again quite disappointing. However, in contrast to previous reports, this time the surprise came mainly from the rise in the unemployment rate.

Month-to-month figures tend to be volatile, and the rise in the unemployment rate in September was due to an inflow of people looking for a job, while employment resumed climbing, even if not as much as hoped.

That said, the trend unemployment rate has been drifting slightly upwards since it troughed at just 3.5% in 2022, indicating gradual easing in labour market conditions.

In its most recent communications, such as the latest minutes, the Governor's testimony in the Senate, and a speech by its Chief Economist Sarah Hunter, the RBA continued to describe labour market conditions as tight, with the low unemployment rate cited as the main evidence. Moreover, in its projections, the RBA expected the unemployment rate not to exceed 4.3%.

Hence, this comes as no surprise that markets reacted to the news of the higher unemployment rate with heightened expectations of a cash rate cut. At the time of writing, cash rate futures are again pricing in a 25bps cut back with a 50% probability. We continue to see a November cut as less likely, but it cannot be ruled out completely.

16 October 2025