

Employment and Hours Worked

Employment fell a seasonally adjusted 40.9k in July, against market expectations of a 26.5k increase. This followed an 88.4k surge in June.

It was the first decline in employment since the COVID-19 restrictions over east drove employment lower in the four months between July and October 2021.

Despite the decline in July, jobs were still 3.0% higher than a year ago and 4.3% above the February 2020 level.

The fall in employment was driven by an 86.9k drop in full-time jobs, partly offset by a 46.0k gain in part-time employment.

Aggregate hours worked also declined in July, after being steady in the previous month. According to the ABS, this was caused by increased absences due to annual leave for winter school holidays as well as sick leave due to Omicron and other illnesses.

Australia (Seasonally Adjusted)	Jul ('000)	Jun ('000)	YoY (%)
Total	-40.9	88.4	3.0
Full Time	-86.9	52.9	4.4
Part Time	46.0	35.5	0.1
Aggregate Hours Worked (%)	-0.8	0.0	3.4
Participation Rate (%)	66.4	66.8	-
Unemployment Rate (%)	3.4	3.5	-

Unemployment, Underutilisation and Participation

Despite the fall in employment, the unemployment rate dipped 0.1ppts to 3.4%, the lowest level since Q3 1974 when the labour force survey was quarterly. The decline in the unemployment rate came amid a 0.3ppts fall in the participation rate, to a still high 66.4%.

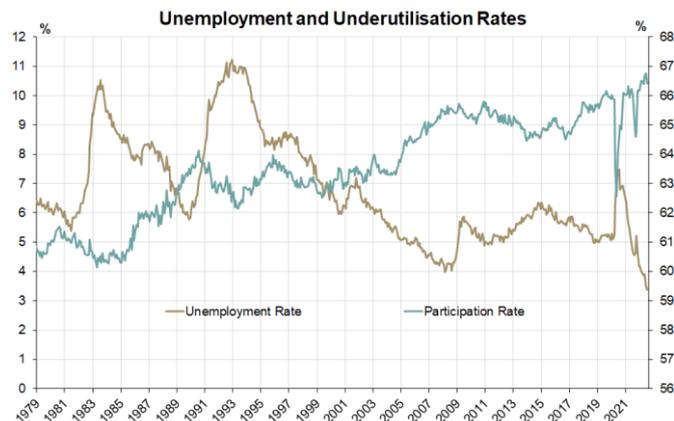
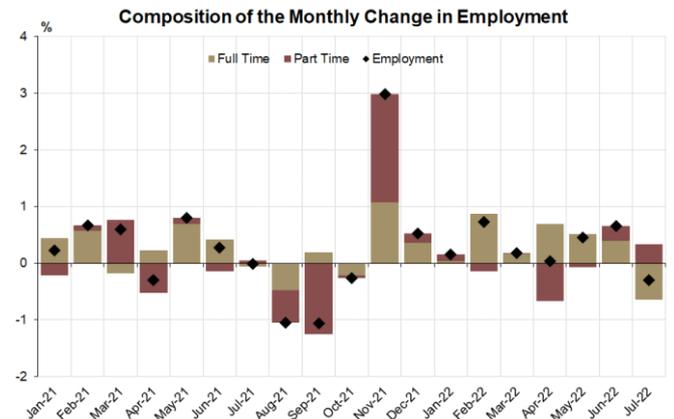
The underemployment rate (the employed who want to work more hours) declined 0.1ppts to 6.0%. The underutilisation rate, which combines unemployment and underemployment, fell 0.2ppts to a new 40-year low of 9.4%.

States

Employment fell in all states but Western Australia and Tasmania, with Victoria seeing the largest decline.

Western Australian employment rose by 6.4k and has seen one of strongest increases in employment of all the states through the pandemic (8.2%). The unemployment rate declined 0.2ppts to 3.2%, which is the second lowest of the states. However, Western Australia was the only state to record a rise in its participation rate (to 69.4%, by far the highest level of all states).

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	6.4	4.2	3.2
New South Wales	-11.8	3.5	3.3
Victoria	-18.7	1.8	3.1
Queensland	-6.2	4.4	3.8
South Australia	-3.4	1.0	4.0
Tasmania	0.5	1.0	3.7



Comment

The setback in employment in July should not come as a surprise, given it follows a streak of eight consecutive and predominantly very strong monthly gains in employment. The number of employed rose a cumulative 750k between the reopening of the New South Wales and Victorian economies in October 2021 and June 2022.

The ABS stressed that there were more job vacancies in Q2 than people looking for work in July. However, there are some signs that the demand for labour could be starting to ease, with the monthly data suggesting that the job vacancies fell in July.

The labour market remains tight, although it is not as yet being reflected in headline wages growth, as shown by yesterday's [wages report](#) for Q2. In addition, the semi-annual average weekly earnings report, also released today, showed annual growth in private sector average weekly full-time earnings decelerated to 1.6% in the year to May, from 2.2% YoY in November 2021. However, the decline was driven by strong increases in employment in lower paying industries.

Given this is just one month of weakness in jobs, we still expect a 50bps RBA cash rate hike in September.

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