

Economic Analysis

Labour Force February 2023

Employment and Hours Worked

Employment surged a seasonally adjusted 64.6k in February, more than the 49.1k expected by the markets. This followed a 10.9k drop in January (revised from -11.5k) and 16.6k fall in December.

The February surge took employment to a new record high and was driven by full-time jobs. Part-time employment retreated again, to be down 0.3% through the year.

The trend employment estimate, which looks through the monthly volatility, increased 19.8k in the month.

Aggregate hours worked rose 3.9%, to reach a new record high and be up 5.1% through the year. The increase pared all the losses from the turn of 2022-23 driven by more workers than usual taking annual leave.

Australia (Seasonally Adjusted)	Feb ('000)	Jan ('000)	YoY (%)
Total	64.6	-10.9	3.0
Full Time	74.9	-42.4	4.5
Part Time	-10.3	31.5	-0.3
Aggregate Hours Worked (%)	3.9	-2.1	5.1
Participation Rate (%)	66.6	66.5	-
Unemployment Rate (%)	3.5	3.7	-

Unemployment, Underutilisation and Participation

The unemployment rate declined 0.2ppts to 3.5% (mkt exp: 3.6%), to be back at the December 2022 level. Trend unemployment rate remained at 3.5% in February.

The participation rate ticked up 0.1ppts in seasonally adjusted terms to 66.6%.

The decline in hours worked saw the underemployment rate (the employed who want to work more hours) decline 0.4ppts to 5.8%, which is the lowest level since November. The underutilisation rate, which combines employment and underemployment, declined to 9.4%.

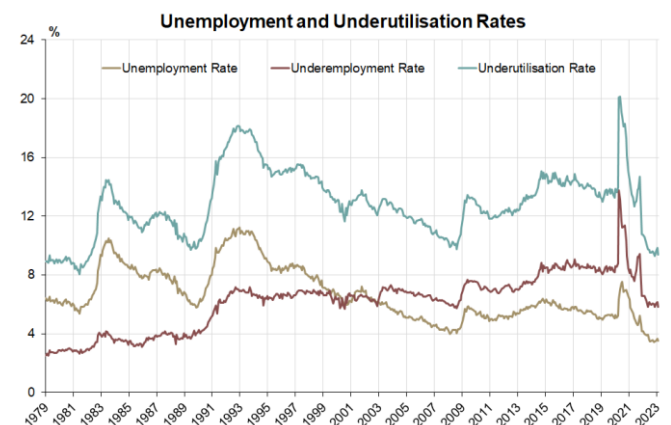
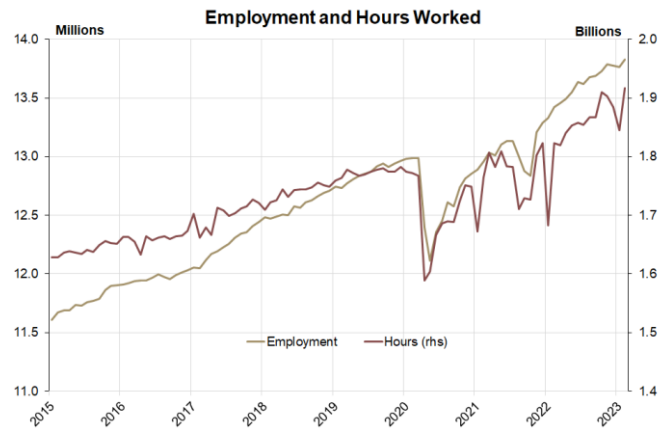
The States

Employment rose across all states, except for a big decline in Queensland. The strongest rise was reported for Victoria, while Tasmania saw only a marginal gain.

The unemployment rate was mixed across states, declining in Victoria, South Australia and Tasmania.

Western Australia saw a 5.6k gain in jobs, while the unemployment rate rose 0.2ppts to 3.9% in February. The labour force participation rose 0.3ppts to 69.2% and continued to be by far the highest of all states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	5.6	1.0	3.9
New South Wales	15.9	4.3	3.2
Victoria	62.0	3.2	3.7
Queensland	-23.0	1.6	3.8
South Australia	4.4	3.4	3.8
Tasmania	0.6	0.6	3.6



Comment

The results of the February labour force survey confirmed that, despite the disruptions at the turn of 2022-23, Aussie labour market conditions remain strong.

With employment and hours worked at fresh record highs, and the unemployment rate near the monthly series low, there is little evidence that the labour market is cooling down despite the RBA tightening well underway.

After the February drop in unemployment, there are still just around two officially unemployed people per one internet job ad, according to the data supplied by the Commonwealth Jobs and Skills Commission.

Despite this ongoing tightness, wages pressure appears to have eased, with the latest XERO small business report showing that wages growth slowed for the fourth month in a row to just 2.9% YoY in January.

The February labour force report, coupled with the solid NAB business report published yesterday, would normally justify another RBA cash rate hike at the April Board meeting. However, with the unfolding troubles in the banking sector offshore, the RBA will hold off on further interest rate increases until the smoke clears. The markets are currently pricing in cash rate cuts, but these expectations appear to be premature at this stage.

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