

Employment and Hours Worked

Employment declined a seasonally adjusted 11.5k in January, against the market expectations of a 20.0k gain. This followed a 20.0k drop in December (revised from -14.6k).

In contrast to the previous month, the decline in employment was driven by full-time jobs. Part-time employment almost fully recovered from its December drop.

The trend employment estimate, which looks through the monthly volatility, increased 11.3k in the month.

Aggregate hours worked declined 2.1%, after falling 1.1% in the previous month. According to the ABS, this largely reflected absences due to employees taking more annual leave than usual. In trend terms, hours worked picked up 0.2%.

Australia (Seasonally Adjusted)	Jan ('000)	Dec ('000)	YoY (%)
Total	-11.5	-20.0	3.0
Full Time	-43.3	14.4	4.8
Part Time	31.8	-34.3	-1.0
Aggregate Hours Worked (%)	-2.1	-1.1	9.2
Participation Rate (%)	66.5	66.6	-
Unemployment Rate (%)	3.7	3.5	-

Unemployment, Underutilisation and Participation

The unemployment rate unexpectedly rose 0.2ppts to 3.7% in January, against the consensus of no change. This is the highest level since May 2022.

The participation rate ebbed to 66.5%, from the downwardly revised 66.6% in December.

The underemployment rate (the employed who want to work more hours) was unchanged at 6.1%. The underutilisation rate, rose 0.2ppts to 9.8%, which is the highest level since April 2022.

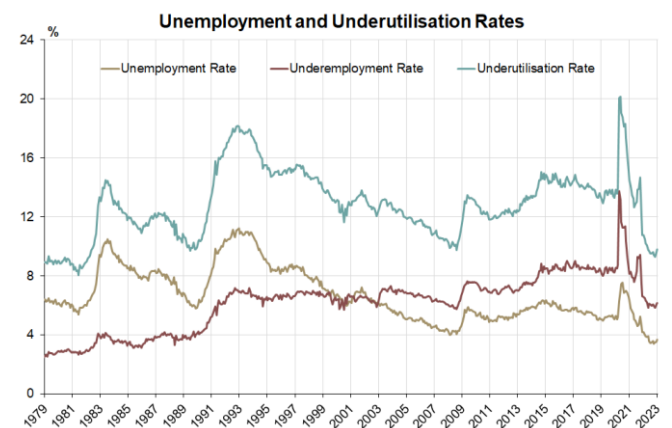
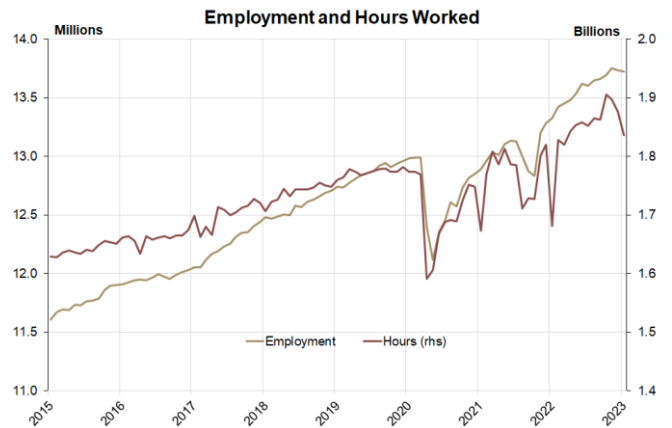
The States

Employment fell in all states except for Queensland and South Australia. Victoria saw an exceptionally strong drop of 26.5k or 0.8%, while declines in other states were more moderate.

The unemployment rate rose in all states but New South Wales and Queensland.

Western Australian employment declined 5.4k January, while the unemployment rate ticked up 0.1ppts to 3.6%. The Western Australian participation rate, at 68.8%, remains by far the highest of all states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	-5.4	0.6	3.6
New South Wales	-5.1	4.9	3.1
Victoria	-26.5	1.4	4.0
Queensland	17.9	3.2	3.8
South Australia	4.2	3.3	4.0
Tasmania	-2.7	3.0	4.1



Comment

The results of the January labour force survey proved to be a negative surprise, which followed weaker figures for December. However, due to difficulties with seasonal adjustment at this time of the year, it is too early to judge if this is indeed the start of a turnaround in the labour market.

Despite the second negative surprise in a row, labour market conditions remain strong. Employment is still 0.2% off the record high from November 2022, while the unemployment rate is close to its monthly series low.

As the underemployment rate was unchanged in January, the fall in hours worked appears to be voluntary and linked to more people taking annual leave than usual, after the reduced travel options during COVID.

In its February Statement on Monetary Policy, the RBA forecasts that the unemployment rate will see a gradual pick-up over the next three years, to reach a still low 4.4% in mid-2025. Employment is expected to rise on a sustained basis, albeit slower than in 2021-22.

We do not expect that the slightly weaker labour market figures will lead to a change in the RBA's monetary policy outlook and still anticipate further tightening by the RBA, with another 25bps cash rate hike in March.

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