

Economic Analysis

Labour Force July 2023

Employment and Hours Worked

Employment declined a seasonally adjusted 14.6k in July, which came against the consensus forecasts of a 15.0k increase. This followed strong increases in May and June (of 76.3k and 31.6k, respectively).

Despite the decline in July, employment remains up 2.8% through the year.

July's decline in employment was due to a 24.2% fall in full-time jobs, while part-time employment rose by 9.6k.

Hours worked rose 0.2%, to be 5.2% up YoY.

Australia (Seasonally Adjusted)	Jul ('000)	Jun ('000)	YoY (%)
Total	-14.6	31.6	2.8
Full Time	-24.2	38.0	4.1
Part Time	9.6	-6.4	0.0
Aggregate Hours Worked (%)	0.2	0.4	5.2
Participation Rate (%)	66.7	66.8	-
Unemployment Rate (%)	3.7	3.5	-

Unemployment, Underutilisation and Participation

The unemployment rate rose 0.2ppts to 3.7%, slightly more than the 0.1ppts increase to 3.6% pencilled in by the consensus.

The participation rate unexpectedly ebbed by another 0.1ppts to 66.7% but remains close to a record high.

The underemployment rate, those working less hours than they'd like, was steady at 6.4%, which is 0.6ppts higher than the low of 5.8% reached in February.

The underutilisation rate, combining unemployment and underemployment, picked up 0.2ppts to 10.1%, which is the highest level since April 2022.

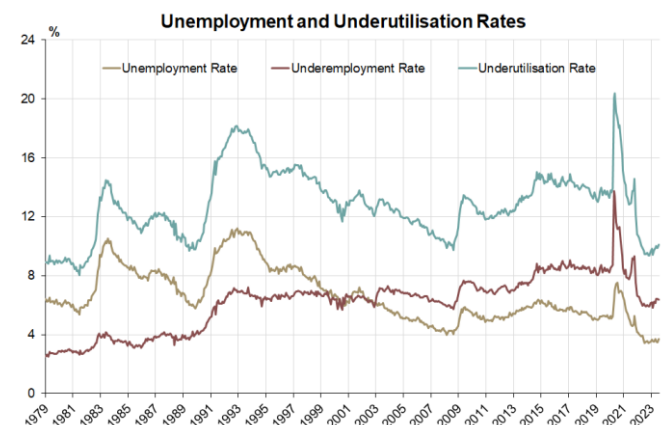
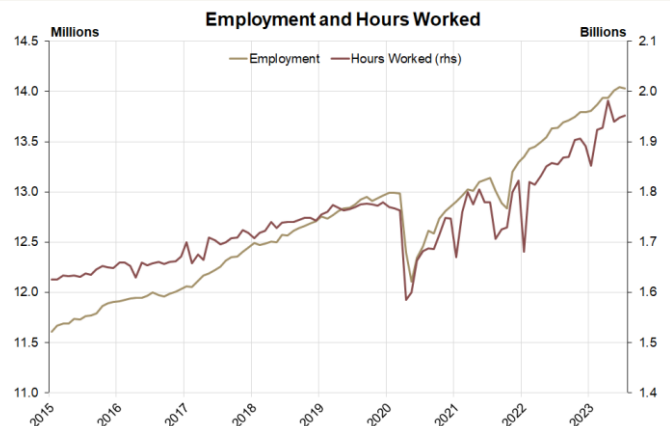
The States

Employment growth was mixed across the states, with gains in Western Australia, Victoria and South Australia and declines in New South Wales, Queensland and Tasmania.

Consequently, states with an increase in employment registered a decline in the unemployment rate, while the remaining states saw considerable increases.

Western Australian employment rose 15.0k in July, while the unemployment rate declined 0.2ppts to 3.4%. The Western Australian participation rate rose 0.3ppts to 68.4% and remained by far the highest of all the states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	15.0	1.5	3.4
New South Wales	-24.6	2.6	3.3
Victoria	16.5	4.3	3.6
Queensland	-22.8	1.7	4.5
South Australia	3.8	4.8	4.0
Tasmania	-2.9	1.4	4.7



Comment

July labour force survey results were a disappointment, but underlying labour market conditions remain strong.

Looking through the temporary volatilities, trend employment rose by 27.3k, while trend unemployment and participation rates remained unchanged at 3.6% and 66.8%, respectively.

The July decline in employment could be a setback from strong gains in the previous months. In addition, the ABS cautioned they observe changes in seasonal patterns around school holidays, which were included in the July labour force survey. School holidays were also cited as a reason behind a decline in employment in April.

That said, labour market conditions, while still tight, are easing. The ratio of the number of officially unemployed to internet job vacancies rose to 1.9 from 1.6 a year ago. Easing of the labour market conditions is reflected in the stabilisation of SEEK advertised wages growth at the still elevated 4.5%.

After the publication of the labour force survey, the AUD depreciated sharply and RBA cash rate expectations declined further, but a 25bps hike remains partly priced in for the turn of 2023 and 2024.

17 AUGUST 2023

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