

Employment

Seasonally adjusted employment growth was solid again in April, rising 28.4k in the month (Mkt +15k, WATC +5k) following a 27.7k increase in March (revised from +25.7k). The increase was all in part-time employment which rose 34.7k, while full-time employment fell 6.3k. Total employment is up 323k over the past 12 months. Annual growth rate picked up 0.2ppts to 2.6% YoY.

Aggregate hours worked increased 0.1% in the month after rising 0.8% in March, with annual growth slowing from a very strong 3.0% YoY to 1.9%.

Australia (sa)	Apr	Mar	YoY (%)
Total (,000)	28.4	27.7	2.6%
Full-time	-6.3	49.2	2.9%
Part-time	34.7	-21.5	1.9%
Aggregate hours worked	0.1%	0.8%	1.9%
Participation rate	65.8	65.7	-
Unemployment rate	5.2	5.1	-

Unemployment

The seasonally adjusted unemployment rate increased to 5.2%, from an upwardly revised 5.1% in March, as the participation rate (seasonally adjusted) picked up 0.1ppt to a record high 65.8%. The number of unemployed increased 21.2k to a seasonally adjusted 704k, down 3.7% from a year ago. The trend unemployment rate, which looks through the month-to-month volatility and is arguably the most reliable labour market indicator, was steady at 5.1%.

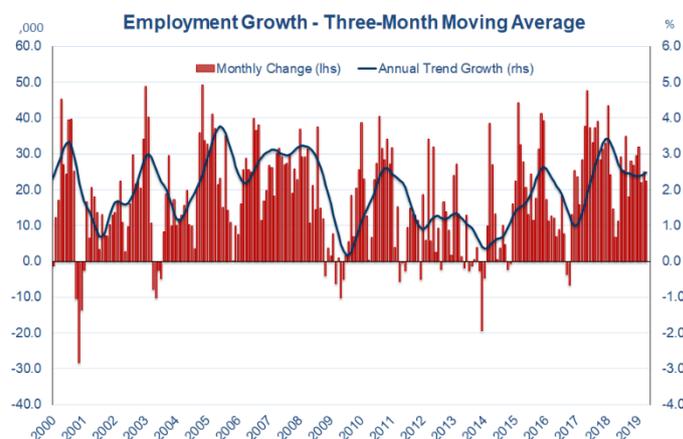
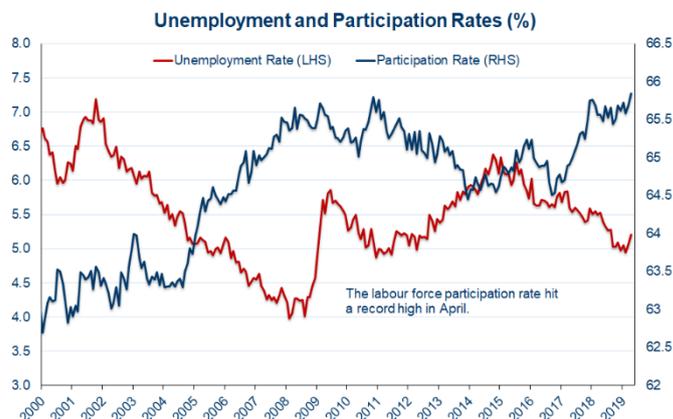
The underemployment rate, which is those working less hours than they would like, picked up 0.3ppts to 8.5%, while the underutilisation rate, which combines the underemployed and the unemployed and is the broadest measure of labour market spare capacity, increased 0.4ppts to a nine-month high of 13.7%.

States

Victoria was the only mainland state to see a seasonally adjusted decline in employment during the month, New South Wales saw the biggest rise. Western Australia saw a seasonally adjusted increase for the third month in a row. However, the small sample sizes make the monthly state numbers even less reliable than the national numbers.

New South Wales continues to boast the lowest seasonally adjusted unemployment rate at 4.5% and Tasmania the highest with 6.8%. Western Australia's unemployment rate edged up 0.1ppt to 6.1%, however, the State's employment to population ratio of 64.1% remains significantly higher than Victoria, which was next best with 62.7%.

State (sa)	MoM ,000	YoY (%)	Unemployment (%)
Western Australia	6.4	0.6%	6.1
New South Wales	25.1	3.3%	4.5
Victoria	-7.6	3.8%	4.9
Queensland	5.4	2.1%	5.9
South Australia	2.4	1.8%	6.1
Tasmania	1.2	0.2%	6.8



Comment

This is quite a mixed report. Headline employment growth saw another strong month, however, the headline unemployment rate increased to an eight month high of 5.2% thanks to increased labour participation.

The RBA's April Board minutes said that a rate cut rate would be appropriate 'if unemployment trended up'. What is difficult to know is what they mean by trended up. Headline unemployment has now increased two months in a row, is that enough for a trend? We have our doubts, particularly given employment growth was solid and the increase in the unemployment rate was driven by higher participation. We remain of the view that August is the most likely month for the first cut.

The market is also a little unsure what the numbers mean for near-term policy. Bond yields initially fell sharply, however, yields have since risen again to be currently one basis point lower since the release. Cash rate futures pricing for a June cut has increased to 56% from 37% this morning with a 1.0% cash rate priced in for November.

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