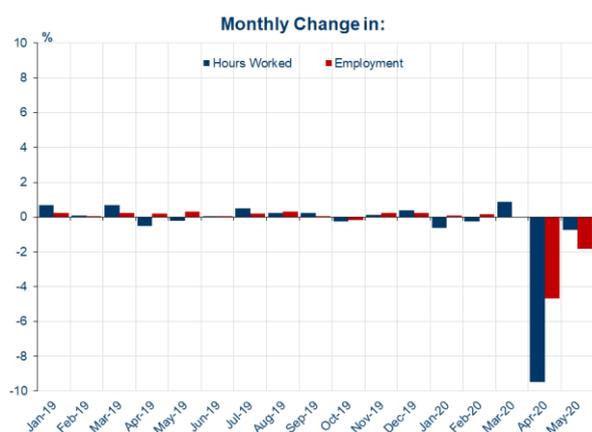
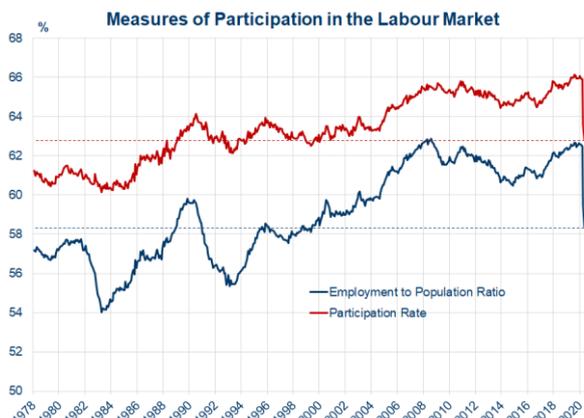


Labour market conditions continued to deteriorate between early April and early May. Employment fell by a seasonally-adjusted 227.7k, less than a month before (607.4, revised upwards). The unemployment rate increased to 7.1%, the highest level since 2001.

Australia (sa)	May	Apr	YoY (%)
Total	-227.7	-607.4	-5.4
Full Time	-89.1	-235.9	-2.7
Part Time	-138.6	-371.5	-11.2
Aggregate Hours Worked (%)	-0.7	-9.5	-9.0
Participation Rate (%)	62.9	63.6	-
Unemployment Rate (%)	7.1	6.4	-

The fall in employment was way larger than the 78.8k expected by market participants. It partly reflected the April layoffs which were not classified as unemployed as they had worked in the previous four weeks. The ABS estimates that the number of people who had left or lost their job but were classified as employed was 370k in April and 180k in May. The labour force survey took place in the first half of the month, which was before the labour market stabilisation indicated by the weekly payrolls data.



As a result of the fall in employment, the employment to population ratio has fallen back to levels from late 1990s.

The participation rate is also at its lowest in two decades, reflecting a rise in people who were made redundant or stood down but were not actively looking for a new job amid a temporary relaxation in the eligibility criteria for jobless benefits. The ABS noted that if these people were classified as unemployed since the start of the COVID-19 crisis, the unemployment rate would have reached 11.3% in May.

However, according to the labour market flows data, the rise in unemployment between early April and early May came to a large extent from inflows into unemployment from outside of the labour force. The outflows from the labour force also eased somewhat.

Hours worked fell by just 0.7% in May compared to a 9.5% slump in April. This is less than the percentage fall in employment (1.8%). The number of hours worked in part-time jobs even increased, at the fastest pace since 2001, resulting in a slight decline in the underemployment ratio. However, given the rise in the unemployment rate, the underutilisation rate, ticked up and was above 20%, an all-time high.

States

The deterioration in the labour market conditions was broad-based across all states. The fall in employment was led by the most populous states. Western Australia saw the largest increase in the unemployment rate, as the participation rate remained the highest of all states.

States (sa)	MoM ('000)	YoY (%)	Unemployment (%)
Western Australia	-30.2	-5.4	8.1
New South Wales	-43.9	-7.0	6.4
Victoria	-70.8	-4.3	6.9
Queensland	-28.1	-5.2	7.9
South Australia	-11.1	-6.3	7.9
Tasmania	-9.9	-3.8	6.4

Comment

The Australian labour market has been hit hard by the COVID-19 crisis and the related containment measures. The temporary measures introduced by the government helped mask the damage and there are tentative signs of a stabilisation as the economy is re-opening. However, tightening in the JobSeeker criteria in June might trigger a rise in the number of people actively looking for a job, and technically pushing up the unemployment rate. This could be compounded by any alteration of the JobKeeper scheme in the coming months followed by the scheduled winding down of this program in September. The labour market will also continue to face challenges from low economic activity. Therefore, we continue to expect grim labour market figures going forward.

18 JUNE 2020

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