

Australia

Labour market conditions continued to improve between early July and early August, outside of Victoria. Seasonally adjusted employment rose by 111.0k, which follows increases of 119.2k and 227.8k in the previous two months. Market participants were expecting a 50k fall.

| Australia (Seasonally Adjusted) | Aug | Jul | YoY (%) |
|---------------------------------|-------|-------|---------|
| Total | 111.0 | 119.2 | -2.6 |
| Full Time | 36.2 | 38.9 | -2.7 |
| Part Time | 74.8 | 80.3 | -2.5 |
| Aggregate Hours Worked (%) | 0.1 | 1.3 | -5.1 |
| Participation Rate | 64.8 | 64.7 | - |
| Unemployment Rate | 6.8 | 7.5 | - |

The upside surprise came from robust employment growth in all states but Victoria and a rise in self-employment. The ABS recorded a significant increase in owner-manager employment between July and August (around 50k in the original terms), which was not captured by the weekly payroll reports due to classification discrepancies.

The rise in employment was again broad-based, though gains in part-time jobs were still larger than for full-time employment. Coupled with the Victorian lockdown, this resulted in virtually no change in hours worked and an unchanged underemployment ratio nationwide.

The unemployment rate declined to 6.8%, reflecting a fall in the number of unemployed outside of Victoria and sluggish growth in participation. The participation rate ticked up by only 0.1 percentage point to 64.8%, dragged down by outflows from the labour market in Victoria.

The underutilisation rate eased to 18.0%, still 4.7 points higher than in December 2019.

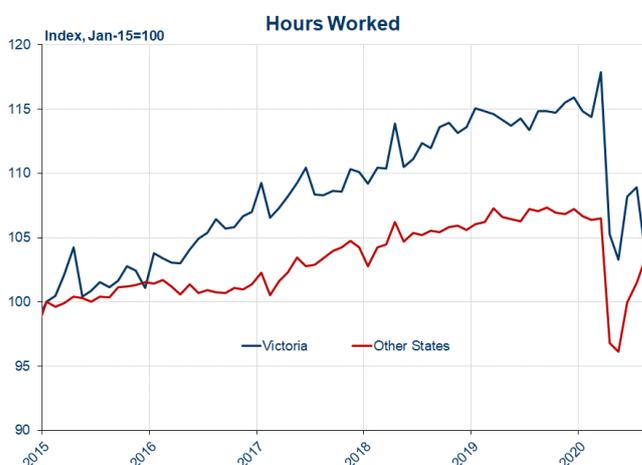
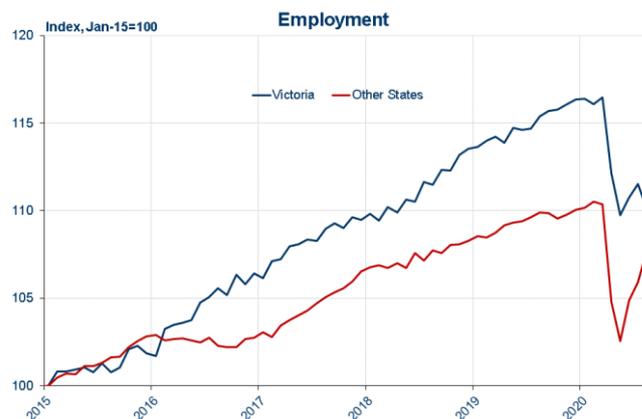
States

Employment rose and the unemployment rate declined in all mainland states but Victoria.

| States (Seasonally Adjusted) | MoM ('000) | YoY (%) | Unemployment Rate (%) |
|------------------------------|------------|---------|-----------------------|
| Western Australia | 32.2 | -1.0 | 7.0 |
| New South Wales | 51.5 | -2.7 | 6.7 |
| Victoria | -42.4 | -4.7 | 7.1 |
| Queensland | 18.0 | -3.1 | 7.5 |
| South Australia | 13.4 | -1.6 | 7.6 |
| Tasmania | 2.3 | 2.7 | 6.3 |

Western Australia saw the fastest percentage growth in employment (2.4% MoM compared to 0.9% nationwide). Employment is just 1.0% below a year ago, the least of all mainland states. The unemployment rate also declined markedly. The participation rate picked up and remained the highest of all the Australian states.

The contrast between the labour market conditions in Victoria and the rest of Australia is striking. For instance, hours worked increased 1.9% outside of Victoria, sending the underemployment ratio down further. Excluding Victoria, employment is 2.3% rather than 3.1% below pre-COVID levels.



Comment

The Australian states have demonstrated remarkable resilience to the Victorian lockdown, which seems even more impressive than the weekly payroll reports suggested.

As during the nationwide lockdown back in autumn, the adjustment in the Victorian labour market appears to have worked through hours rather than a fall in employment. This suggests that the labour market conditions in Victoria could improve quickly after restrictions are eased.

If the robust labour market recovery continues and if the outbreak in Victoria is successfully contained, the reduction in JobSeeker and JobKeeper payments may not hit the economy as hard as feared. The report is also important news for the RBA, as the unemployment rate appears unlikely to reach its end of year forecast of 10%.

However, downside risks remain, as COVID-19 containment measures and the uncertainty around the evolution of the pandemic continue to slow down or prevent the recovery of some industries.

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