

Economic Analysis

Labour Force June 2021

Employment and Unemployment

Seasonally adjusted employment rose 29.1k in June, (exp +20k), following an unrevised rise of 115.2k in May.

Annual employment growth eased from a record 8.1% in May to a still very strong 6.3% in June.

Australia (sa)	Jun	May	YoY (%)
Total (,000)	29.1	115.2	6.3
Full-time	51.6	97.5	5.7
Part-time	-22.5	17.7	7.6
Aggregate hours worked (%)	-1.8	1.4	6.8
Participation rate (%)	66.2	66.2	-
Unemployment rate (%)	4.9	5.1	-

The rise in employment was driven by full-time jobs, which rose 51.6k following a 97.5k increase in May.

Hours worked fell 1.8% in the month, which appears inconsistent with the sharp increase in full-time employment, however, the drop was driven by an 8.4% slump in Victoria due to the lockdown, which occurred during the survey period. Hours worked increased 0.5% across the rest of Australia.

Unemployment Rate

The rise in employment, along with an unchanged participation rate of 66.2%, was enough to push the headline unemployment rate down 0.2ppts to 4.9%. This is the lowest it's been since December 2010 and getting closer to the RBA estimate of the non-accelerating inflation rate of unemployment (NAIRU), which it believes is somewhere between 4% and 4.5%.

The slide in hours worked pushed the underemployment rate (those working less hours than they would like) up 0.5ppts to 7.9%. The underutilisation rate, which combines the unemployed and under employed increased 0.3ppts to 12.8%.

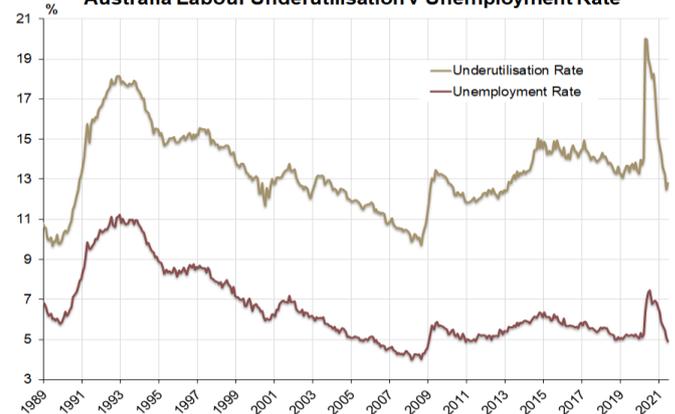
States

Employment growth was mixed across the states with Victoria, New South Wales and South Australia recording declines, while growth was solid in Western Australia, Queensland and Tasmania. The Victorian unemployment rate of 4.4% was the lowest of the states, however, this was driven by a sharp drop in labour force participation due to the lockdown.

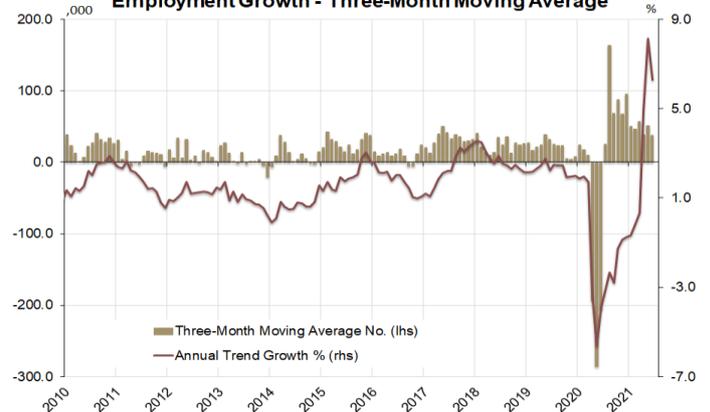
The Western Australian unemployment rate increased 0.5ppts to 5.1%, driven by rising participation. The employment to population ratio of 65.1% was well ahead of the other states.

State (sa)	MoM ,000	YoY (%)	Unemployment (%)
Western Australia	12.6	7.6	5.1
New South Wales	-9.2	5.4	5.1
Victoria	-9.2	5.3	4.4
Queensland	16.7	9.7	5.1
South Australia	-4.5	5.5	5.3
Tasmania	2.6	6.3	4.5

Australia Labour Underutilisation v Unemployment Rate



Employment Growth - Three-Month Moving Average



Comment

The strong rebound in employment continued in June, though progress was held back by the lockdown in Victoria, which covered the survey period.

Nevertheless the labour market improvement continues to run well ahead of expectations and is the major driver behind market pricing for a cash rate increase as early as the final quarter of next year.

The strong labour demand evident in the various job ads and vacancy reports, suggest the unemployment rate will continue to fall, particularly given the limited labour supply due to the international border closure.

The fall in the unemployment rate to below 5.0% for the first time since December 2010 is highly symbolic, signalling that the unemployment rate is getting closer to the RBA estimate of full employment of somewhere between 4% and 4.5%. This is what the RBA is targeting to drive the 3% or greater wages growth it believes is needed to drive CPI inflation sustainably back to target.

Further near-term progress will largely hinge on how well New South Wales contains its COVID outbreak and whether it spreads to other states.

15 JULY 2021

Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.