

Economic Analysis

Labour Force July 2021

Employment and Unemployment

Seasonally adjusted employment unexpectedly rose by 2.2k in July, against expectations for a 46.0k drop.

Australia (Seasonally Adjusted)	Jul ('000)	Jun ('000)	YoY (%)
Total	2.2	29.1	5.4
Full Time	-4.2	51.6	5.3
Part Time	6.4	-22.5	5.6
Aggregate Hours Worked (%)	-0.2	-1.8	5.7
Participation Rate	66.0	66.2	-
Unemployment Rate	4.6	4.9	-

The slight increase in employment came despite New South Wales being in lockdown during the reference period (4-17 July) and most of Queensland's population having just come out of lockdown. Falls in those states were offset by increases elsewhere.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	6.5	6.8	4.6
New South Wales	-36.4	3.3	4.5
Victoria	16.0	5.3	4.5
Queensland	-6.6	9.1	5.2
South Australia	10.7	5.9	4.7
Tasmania	0.8	4.0	4.5

The fall in employment in New South Wales was still relatively moderate compared with the first wave of COVID-19 back in 2020. However, the survey pre-dates the more severe restrictions that have since been introduced. In addition, as in previous surveys, the ABS classified those that were away from work for less than four weeks as employed.

The adjustment in the labour market occurred through a reduction in hours worked, with New South Wales seeing a sharp 7.0% fall. The drop was offset by a rise in hours in other parts of the country, particularly in Victoria which was recovering from its early June lockdown.

Underutilisation and Participation

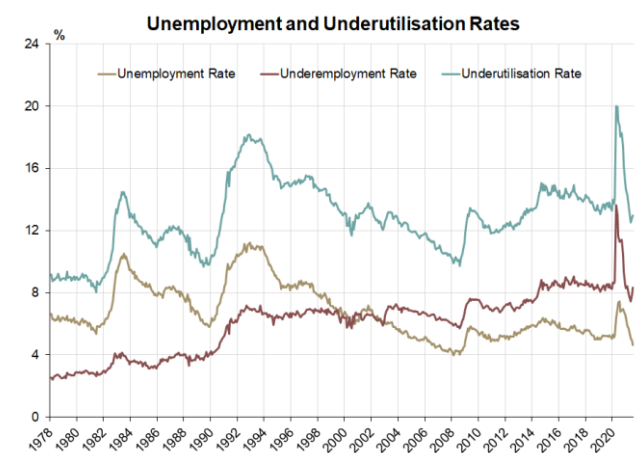
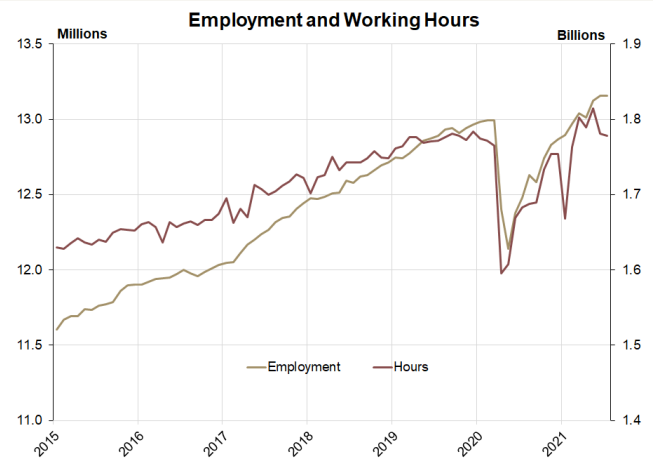
The fall in hours worked saw the underemployment rate increase by 0.4 ppts to 8.3%, the highest level since February. The New South Wales underemployment rate spiked to 9.3%, the highest level since October 2020, which more than offset a decline in Victoria.

The unemployment rate unexpectedly fell 0.3 ppts to 4.6%, while the consensus was for a slight rise to 5.0%.

This surprising outcome was purely technical, as some people that were out of work or lost their jobs due to lockdowns are classified as not in the labour force rather than unemployed, unless they were actively looking for a job or available to start working during the reference period. 23% of those classified as unemployed in June were classified as not in the labour force in July.

The underutilisation rate, which combines both underemployment and unemployment, saw a slight 0.1 ppt uptick to 12.9%.

The participation rate declined 0.2 ppts to a still elevated 66.0%.



Western Australia

The recovery in the WA labour market continued in July, with employment rising by 6.5k to a new record of 1,411k. The unemployment rate fell to 4.6%, the lowest level since December 2013. The participation rate, at 68.5%, remained the highest of all the states.

Comment

The key theme of the July labour force survey was the divergent trends across the states. While employment and hours worked fell sharply in New South Wales, there was a strong post-lockdown rebound in Victoria.

With the current COVID-19 outbreak escalating in New South Wales and spreading back to other states, particularly Victoria, the upcoming labour force survey results will be dismal.

Weaker labour market conditions will persist at least until the COVID-19 outbreak is contained and strict containment measures can be lifted. However, the longer the current public health crisis continues, the greater the risk that jobs will not bounce back as strongly as is still hoped by the RBA, implying a slower reduction, or perhaps even a lift, in asset purchases going forward.

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