

Economic Analysis

Employment and Hours Worked

Employment surged a seasonally adjusted 366.1k in November, well in excess of the market expectations of a 200k gain.

Australia (Seasonally Adjusted)	Nov ('000)	Oct ('000)	YoY (%)
Total	366.1	-56.0	2.7
Full Time	128.3	-47.2	3.9
Part Time	237.8	-8.8	0.2
Aggregate Hours Worked (%)	4.5	-0.2	2.7
Participation Rate (%)	66.1	64.6	-
Unemployment Rate (%)	4.6	5.2	-

The surge was driven by significant gains in New South Wales (+179.8k) and Victoria (+141.0k), as the reopening of both states continued in November. However, strong increases were recorded across all mainland states. Western Australia saw a 22.7k bounce, the largest since August 2020.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	22.7	4.8	3.8
New South Wales	179.8	0.9	4.6
Victoria	141.0	3.0	4.7
Queensland	14.2	4.6	4.8
South Australia	10.1	3.7	4.6
Tasmania	1.8	3.1	5.1

Hours worked rose in concert with employment, with the largest rise of 9.7% reported for Victoria. New South Wales, which re-opened earlier, saw a more moderate 5.6% gain. Western Australian working hours picked up by 0.3% in November.

Unemployment, Underutilisation and Participation

Improving labour market conditions were also reflected in a 69.4k drop in unemployment, which translated into a 0.6ppts decline in the unemployment rate, back to 4.6%.

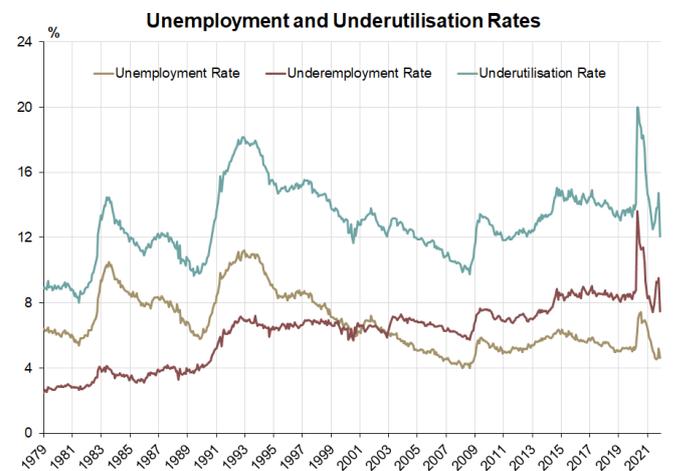
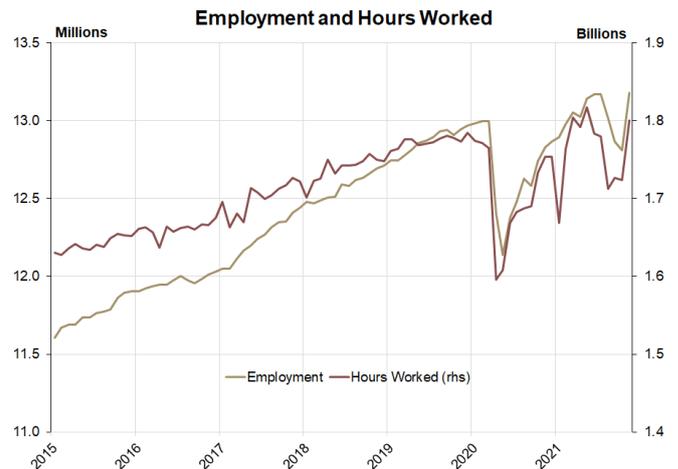
The rise in hours worked resulted in a 2.0 ppts fall in the underemployment rate, to 7.5%, which is only slightly higher than the seven-year low of 7.4% recorded just before the delta outbreaks over east back in May. The 2.0 ppts drop in the underemployment rate is the largest on record.

The underutilisation rate, which combines unemployment and underemployment, also saw the largest fall on record, to 12.1%. This is the lowest level since August 2012.

The surge in employment saw the participation rate rise to 66.1%, which is only 0.2 ppts lower than the record 66.3% from May and June.

In Western Australia, the underemployment rate declined further, reaching 3.8%. This is the lowest level since July 2012 and markedly lower than in other states. The participation rate reached a nine-year high of 69.4% and remained significantly higher than in other states.

Labour Force November 2021



Comment

The November labour force survey results showed that the Australian labour market has virtually come back to its pre-delta conditions. The level of underutilisation in the labour market is now actually lower than before the outbreaks over east, which could eventually translate into a rise in wage pressure.

The tightness is expected to rise further. According to the mid-year economic and fiscal outlook 2021-22 released by the Commonwealth government this morning, the unemployment rate is to fall to 4.25% in 2022-23, a level recorded only in the run up to the global financial crisis. Wage growth is forecast to accelerate gradually towards 3% over the next two financial years. This is the level defined by the RBA as consistent with its inflation target.

This morning, the RBA Governor, apart from specifying that its bond purchasing program will likely conclude in May 2022, marked that cash rate hikes are likely even in an event of wages rising slower than 3%, if productivity growth continues to disappoint. The market continues to expect that the cash rate target will rise to 0.75% next year, from 0.10% currently.

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