

Economic Analysis

Employment and Hours Worked

Employment rose a seasonally adjusted 64.8k in December, exceeding the market expectations of a 43.5k increase.

This followed a 366.1k surge in November and took the employment level to a fresh record high.

Aggregate hours worked also continued to climb, with a 1.0% increase recorded in December.

Australia (Seasonally Adjusted)	Dec ('000)	Nov ('000)	YoY (%)
Total	64.8	366.1	2.9
Full Time	41.5	128.3	4.1
Part Time	23.3	237.8	0.5
Aggregate Hours Worked (%)	1.0	4.5	3.7
Participation Rate (%)	66.1	66.1	-
Unemployment Rate (%)	4.2	4.6	-

The improvement in labour market conditions in December was driven by a continuation of the recovery from lockdowns in New South Wales and Victoria imposed during the Delta outbreak in winter and spring. Employment rose 32.3k in New South Wales and 24.7k in Victoria.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	-0.8	4.9	3.4
New South Wales	32.3	1.9	4.0
Victoria	24.7	3.4	4.2
Queensland	6.5	3.5	4.7
South Australia	-1.9	3.6	3.9
Tasmania	-1.0	2.8	3.9

A 6.5k increase was also reported for Queensland, while employment declined in the other states, including Western Australia. Western Australia continued to see the strongest annual growth, with employment up 4.9% from a year earlier despite a modest 0.8k decline in December.

Unemployment, Underutilisation and Participation

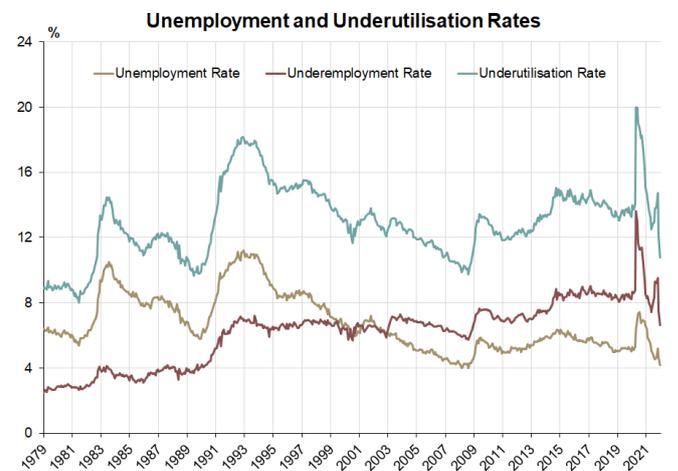
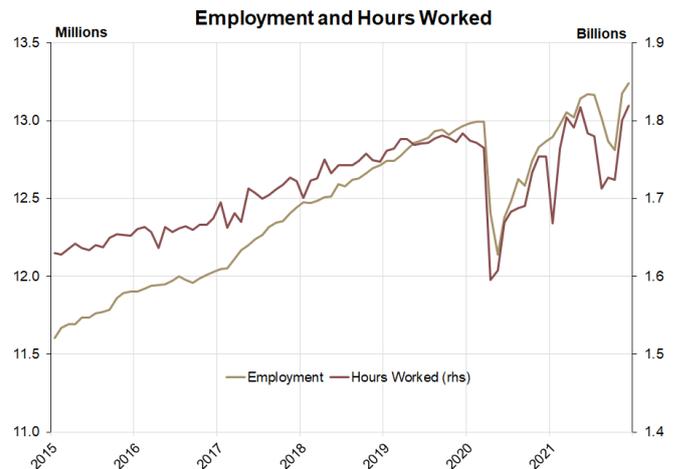
The unemployment rate declined to 4.2%. This is the lowest level since August 2008, when the unemployment rate was 4.0%.

The rise in hours worked translated into another fall in the underemployment rate to 6.6%, its lowest since October 2008. The underutilisation rate, which combines unemployment and underemployment, declined to 10.8%, which is also the lowest level since late 2008.

The participation rate was steady at 66.1%, slightly lower than the levels recorded before the Delta outbreaks but still not far off the record high of 66.3% recorded in March 2021. The employment to population ratio rose to a new all-time high of 63.3%.

The Western Australian unemployment rate fell to 3.4%, the lowest since December 2008. The participation rate eased a little but, at 69.0%, remained by far the highest of all states. As was the state's employment to population ratio of 66.7%.

Labour Force December 2021



Comment

The results of the December labour force survey provide new evidence of the strong momentum in the Australian labour market.

The survey timing predates the Omicron spread over east at the turn of 2021 and 2022. The impacts of the Omicron wave will be reflected in the January labour market report. However, they are widely expected to be temporary, with the infection curve already bending in New South Wales.

The labour market continues to outperform the RBA's expectations. Annual employment growth was 2.9% in Q4 2021, compared with 2.3% envisaged by the RBA in its most recent November 2021 projection. The unemployment rate in Q4 2021 averaged roughly as expected (4.7%), yet this was mainly due to a spike amid the east coast lockdowns. Given the stellar labour market performance and pending fed funds rate increases, the odds for the RBA scrapping the bond buying program at the upcoming meeting on 1 February are on the rise, and a cash rate hike later in the year is now a definite possibility.

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