

Economic Analysis

Labour Force February 2022

Employment and Hours Worked

Employment rose a seasonally adjusted 77.4k in February, more than double the 37.5k expected by the markets. This was the fourth consecutive gain and took employment to a fresh record high.

The February increase was driven by a 121.9k surge in full time jobs, while part-time employment saw a 44.5k decline.

Hours worked have almost fully recovered from the decline due to the Omicron-related disruptions in January and are 2.8% higher than a year ago.

Australia (Seasonally Adjusted)	Feb ('000)	Jan ('000)	YoY (%)
Total	77.4	28.3	3.0
Full Time	121.9	-6.1	4.1
Part Time	-44.5	34.4	0.8
Aggregate Hours Worked (%)	8.9	-8.6	2.8
Participation Rate (%)	66.4	66.2	-
Unemployment Rate (%)	4.0	4.2	-

Unemployment, Underutilisation and Participation

The unemployment rate declined 0.2 pts to yet another 13-year low of 4.0%, which compares to market expectations of 4.1%. The decline in the unemployment rate occurred amid a rise in the participation rate to a record high of 66.4%.

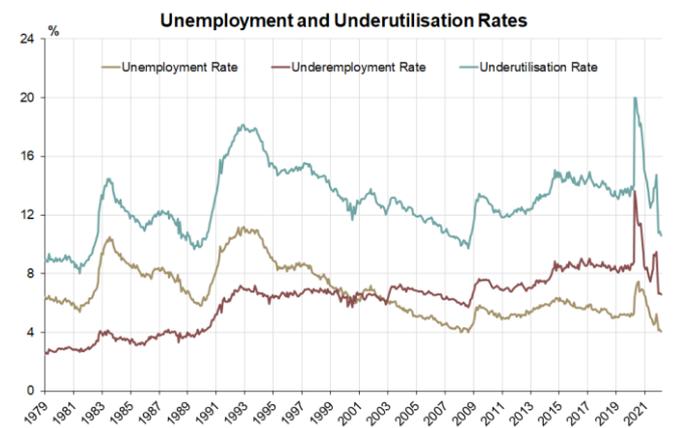
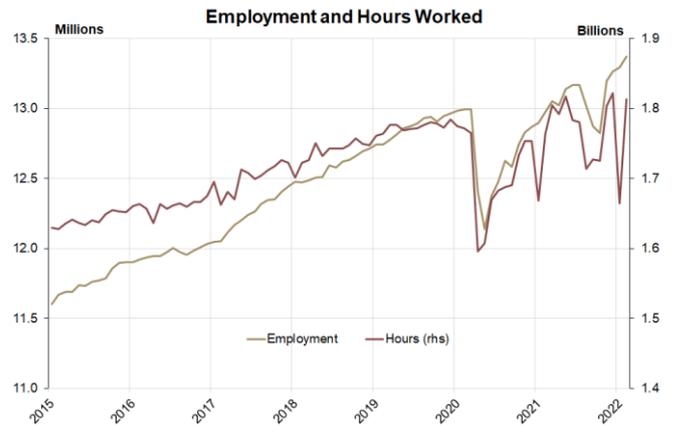
The recovery in hours worked was reflected in a further decline in the underemployment rate to 6.6%, which is the lowest level since December 2008. The underutilisation rate, which is the combination of unemployment and underemployment, fell to 10.6%, which is also a 13-year low.

The States

Employment rose in all states but Western Australia, with New South Wales unsurprisingly seeing the largest increases amid the recovery from the Omicron disruptions. Unemployment rates ranged between 3.7% in New South Wales and 5.0% in South Australia.

Western Australia continues to lead the other states in terms of labour market performance. The annual employment growth of 6.3%, is the highest of all states. The unemployment rate of 4.1% is the second lowest in mainland Australia and would have been the lowest but for the record high participation rate of 70%, a record high and the highest of all the states. The employment to population ratio of 67.1% was easily the highest of all the states and well above the national average of 63.8%.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	0.0	6.3	4.1
New South Wales	57.9	2.4	3.7
Victoria	16.5	2.2	4.2
Queensland	14.5	4.2	4.3
South Australia	4.0	3.8	5.0
Tasmania	6.2	2.0	3.9



Comment

The Australian labour market continues to surprise to the upside and will further embolden those calling for an RBA cash rate hike in June.

The unemployment rate of 4.0% was the lowest since 2008, which was the only other time unemployment has been down at these levels since the early 1970s.

The latest RBA forecasts from February had the unemployment rate falling to 4.0% in Q2, before falling to 3.75% over the remainder of the forecast period which extends to mid-2024, suggesting that is the current RBA estimate for full employment.

The potential for the labour market to continue to outperform expectations would be another argument for the start of the tightening cycle by the RBA.

Before that happens, however, the RBA still needs to see that increasing tightness in the labour market translates into a rise in wages. This would make the central bank comfortable that CPI inflation will sustainably remain within the target band. We continue to expect the first cash rate hike to be in the second half of the year, most probably in August.

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