

Economic Analysis

Labour Force March 2022

Employment and Hours Worked

Employment rose a seasonally adjusted 17.9k in March, missing the market expectations of a 35.0k increase. This was the fifth consecutive gain, which again took employment to a new record high.

The March increase was driven by a 20.5k pick-up in full-time jobs, partly offset by a 2.7k decline in part-time employment.

Floods over east and the ongoing Omicron spread resulted in a 0.6% decline in hours worked (-0.1% YoY). That said, Australian employees still worked 2.2% more hours than just before the pandemic hit in March 2020.

Australia (Seasonally Adjusted)	Mar ('000)	Feb ('000)	YoY (%)
Total	17.9	77.4	2.6
Full Time	20.5	121.9	4.6
Part Time	-2.7	-44.5	-1.5
Aggregate Hours Worked (%)	-0.6	8.9	-0.1
Participation Rate (%)	66.4	66.4	-
Unemployment Rate (%)	4.0	4.0	-

Unemployment, Underutilisation and Participation

The unemployment rate stood at 4.0% in March, or more precisely at a record low for the monthly survey of 3.95% (mkt exp: 3.9%). This came amid a 12.1k decline in the number of unemployed. The participation rate was unchanged at a record 66.4%.

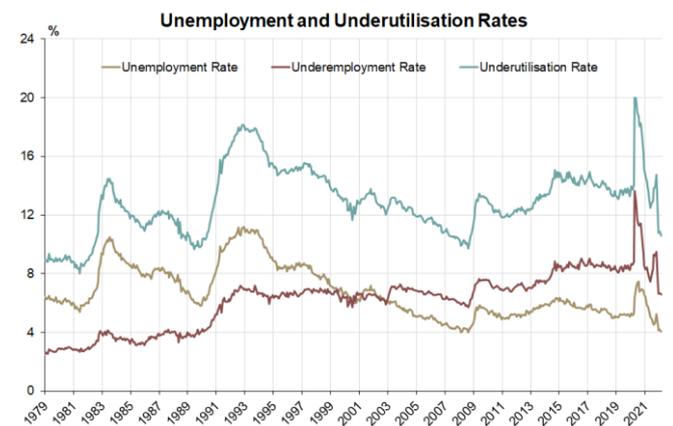
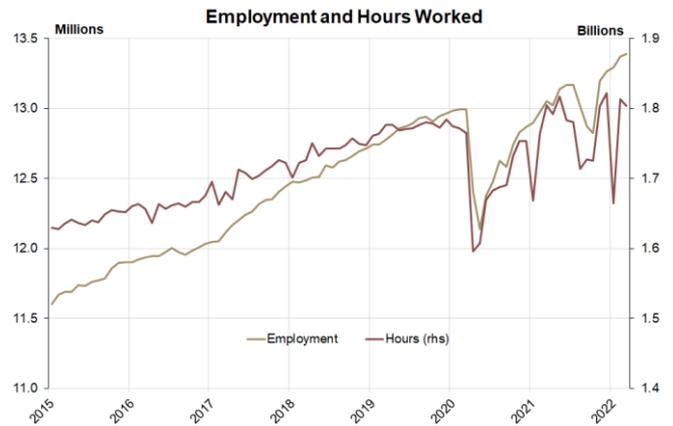
The underemployment rate fell to 6.3% in March, which is the lowest level since November 2008. The underutilisation rate, which includes unemployment and underemployment, declined to 10.3%, also a 13-year low.

States

Employment was mixed across the states in March. There were declines in New South Wales, Tasmania and Victoria following significant gains in the previous month. In addition, the unemployment rate rose in New South Wales and Tasmania but declined in other states.

Western Australia was one of the three states to record a rise in employment in March (+7.6k). It also continues to lead other states with respect to annual gains in employment (+4.0%). The Western Australian unemployment rate of 3.4% was the lowest of all the states and sits at the lowest level since December 2008. The participation rate declined from its February record but was still the highest of all states at 69.7%.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	7.6	4.0	3.4
New South Wales	-0.3	1.9	3.9
Victoria	-2.7	1.9	4.0
Queensland	8.0	3.8	4.0
South Australia	3.2	4.0	4.9
Tasmania	-3.9	0.6	4.5



Comment

Despite the negative surprise in the headline numbers, Australian labour market conditions remain strong.

The downside surprise in employment and decline in hours worked came as floods and bad weather impacted conditions in New South Wales and Queensland and Omicron continued to lower attendance across Australia.

Increasing mismatches in the markets and labour force shortages could also be having an impact. This is corroborated by the ongoing rise in job ads, which points to further increases in the demand for labour. Faced with shortages, businesses resort to extending the hours of employees they have at hand, translating into a 13-year low underemployment.

The labour market slack is the smallest in over a decade, as indicated by the low underutilisation rate. This should translate into further acceleration in wages growth. The labour cost index in the NAB business survey rose to the highest level on record in March.

While we are still yet to see Q1 CPI and wage price index reports, the March labour force survey itself is undoubtedly another argument for a cash rate increase in the coming months. The risk of a 25bps hike in June, fully priced in by the markets, is on the rise.

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