

Economic Analysis

Labour Force May 2022

Employment and Hours Worked

Employment rose a seasonally adjusted 60.6k in May, exceeding market expectations for a 25.0k gain and reaching a new record high.

The rise in employment was again driven by full-time jobs, which saw a strong 69.4k gain. Part-time employment declined by 8.7k after dropping 88.9k in April.

Aggregate hours worked rose by 0.9% to also reach a fresh series high.

Australia (Seasonally Adjusted)	May ('000)	Apr ('000)	YoY (%)
Total	60.6	4.4	2.9
Full Time	69.4	93.4	5.3
Part Time	-8.7	-88.9	-2.1
Aggregate Hours Worked (%)	0.9	1.3	2.1
Participation Rate (%)	66.7	66.4	-
Unemployment Rate (%)	3.9	3.9	-

Unemployment, Underutilisation and Participation

The unemployment rate remained at a 48-year low of 3.9% (market expectations: 3.8%). This came amid a 0.3ppts increase in the participation rate to a new record high of 66.7%. The employment to population ratio also reached a record high of 64.1%.

The underemployment rate (the employed who want to work more hours) fell to 5.7% in May, the lowest since August 2008. The underutilisation rate, which combines unemployment and underemployment, declined to 9.6%, the lowest level since April 1982.

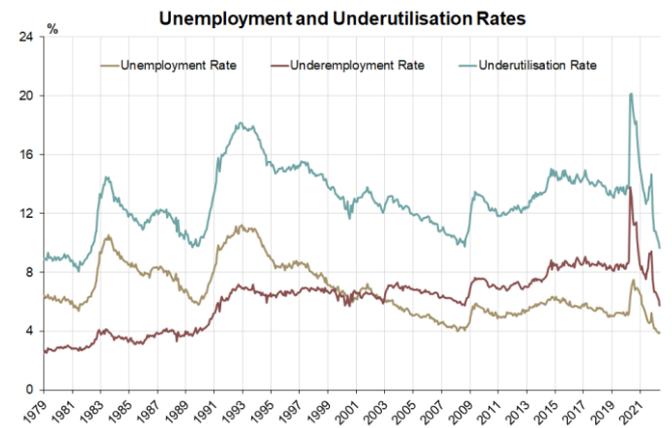
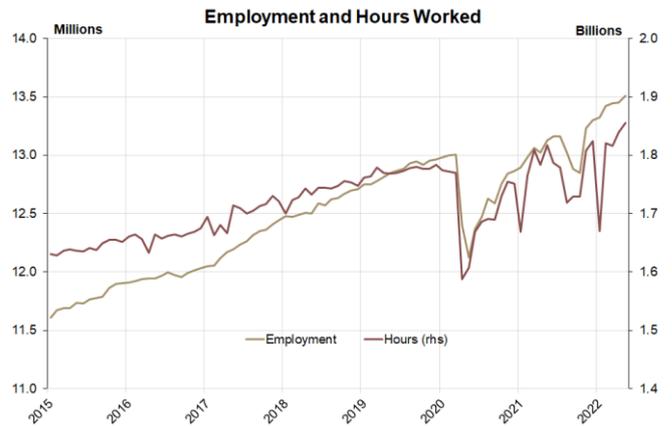
States

Employment rose in all states but Victoria, which saw strong gains in the previous three months.

The unemployment rate picked up in all states but Victoria and Queensland. This happened amid a rise in the participation rate in all states but Victoria.

Western Australian employment rose by 4.8k and was 5.6% up through the year, the most of all the states. Despite a slight increase to 3.1%, the unemployment rate was by far the lowest of all states. The participation rate picked up to 69.6%, which was also the highest level of all the states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	4.8	5.6	3.1
New South Wales	49.0	2.1	4.0
Victoria	-14.1	1.9	3.7
Queensland	46.6	4.7	4.0
South Australia	4.0	1.9	4.6
Tasmania	2.7	2.2	4.5



Comment

The results of the May labour force survey showed labour market conditions remain strong. The underutilisation rate is suggesting the tightest labour market since 1982, although labour market conditions are of course vastly different to the early 1980s.

Despite the increasing labour market tightness, the official wage price index is still low by historical standards. However, the NAB business survey continues to point to elevated labour costs. This, along with the recent 5.2% hike in the minimum wage and the 4.6% increase in the minimum award wage, will help wage growth over time, posing a further upside risk to inflation.

Signs that the tight labour market is putting upward pressure on wages has seen a sharp turnaround in the outlook for monetary policy. The RBA has quickly shifted to an aggressive policy outlook, raising rates by a total of 75bps over the past two policy meetings.

A further 50bps rise is likely in July as the RBA looks to move the cash rate to 2.50%, the level it has identified as neutral. With inflation pressures continuing to increase, the risk that they will have to push the cash rate beyond neutral is on the rise.

16 JUNE 2022

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