

Economic Analysis

Labour Force June 2022

Employment and Hours Worked

Employment increased a seasonally adjusted 88.4k in June, significantly exceeding market expectations for a 30.0k gain and reaching a new record high.

In contrast to the previous months, the rise in employment in June was driven by both full- and part-time jobs.

Aggregate hours worked stagnated in the month. According to the ABS, this was caused by increased absences amid the simultaneous spikes in Omicron and influenza cases.

Australia (Seasonally Adjusted)	Jun ('000)	May ('000)	YoY (%)
Total	88.4	60.6	3.3
Full Time	52.9	69.4	5.2
Part Time	35.5	-8.7	-0.8
Aggregate Hours Worked (%)	0.0	0.9	3.8
Participation Rate (%)	66.8	66.7	-
Unemployment Rate (%)	3.5	3.9	-

Unemployment, Underutilisation and Participation

The unemployment rate dropped 0.4ppts to 3.5% (market expectations: 3.8%). This is the lowest level since Q3 1974, when the series were quarterly.

The participation rate increased 0.1ppt to a new all-time high of 66.8%. The employment to population ratio also reached a record high of 64.4%.

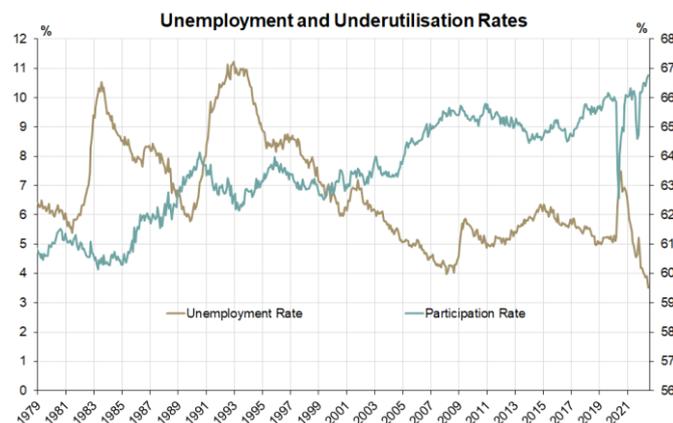
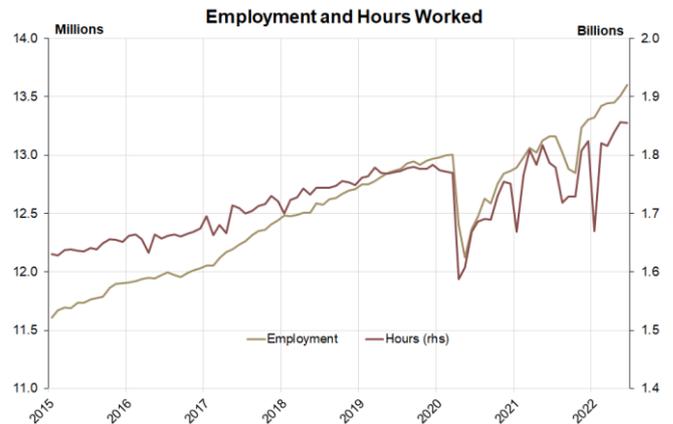
The underemployment rate (the employed who want to work more hours) increased 0.3ppts but was still low at 6.1%. The underutilisation rate, which combines unemployment and underemployment, remained at the lowest level since April 1982 (9.6%).

States

The results of the June labour force survey were mixed across the states. Broad improvement in labour market conditions was evident for four out of six states, yet two states (Western Australia and Tasmania) saw a decline. The unemployment rate rose in Western Australia but fell in the other states.

Western Australian employment was 4.2% higher over the year, which is the second highest increase of all states, despite the decline in June. The Western Australian unemployment rate of 3.4% is slightly lower than the national average, while the participation rate of 69.3% is by far the highest of all states. The employment to population ratio of 67.0% is also easily the highest of the states and well above the national average of 64.4%.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	-9.1	4.2	3.4
New South Wales	25.6	2.8	3.3
Victoria	28.5	3.0	3.2
Queensland	13.4	4.6	4.0
South Australia	0.5	2.4	4.3
Tasmania	-1.2	1.2	4.3



Comment

Australian labour market conditions remain impressively strong, despite the increasing economic headwinds.

The number of officially unemployed per job vacancy is the lowest on record (since 1980) and this labour market tightness is being reflected in rising wage pressure. The RBA liaison and business surveys continue to point to a rise in labour costs. NAB labour costs subindex reached a new series high in June. The ABS total wages index has eased of late due to seasonal factors, but is still up 5.8% through the year. The official wage price index will be published on 17 August, which is after the next RBA meeting.

The June labour force survey is another argument for the RBA to continue its monetary policy tightening. Cash rate expectations, which had already been climbing in reaction to the upside surprise in US inflation numbers overnight, surged further after the release, with a 75bps hike to 2.10% now 75% priced in for August. The RBA Governor ruled out such a move on several occasions, but also stressed that the size of interest rate increases will be data dependent. An even bigger than currently expected Q2 CPI result in two weeks will increase calls for a 75bps increase by the RBA in August. However, while possible, we still consider it unlikely.

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