

## Economic Analysis

## Labour Force October 2022

### Employment and Hours Worked

Employment rose a seasonally adjusted 32.2k in October, much more than the 15.0k pencilled in by the market consensus. This followed a decline of 3.8k in September (downwardly revised from +0.9k).

Employment is now up 5.9% through the year and at a new record high. The trend employment estimate, which looks through the monthly volatility, increased 16.8k in the month.

The increase in seasonally adjusted employment was due to a 47.1k surge in full-time jobs, while part-time employment fell by another 14.9k.

Aggregate hours worked jumped 2.3% in October, to be 9.7% up YoY and at a record high.

Australia (Seasonally Adjusted)	Oct ('000)	Sep ('000)	YoY (%)
Total	32.2	-3.8	5.9
Full Time	47.1	10.9	6.4
Part Time	-14.9	-14.7	4.8
Aggregate Hours Worked (%)	2.3	-0.3	9.7
Participation Rate (%)	66.5	66.5	-
Unemployment Rate (%)	3.4	3.5	-

### Unemployment, Underutilisation and Participation

The unemployment rate unexpectedly declined 0.1ppts to 3.4%, in seasonally adjusted and trend terms. The market consensus was for a rise to 3.6%. The seasonally adjusted figure of 3.39% is a series low for the monthly data, which began in February 1978, slightly beating the 3.41% recorded in July this year.

The participation rate was stable at a near record high (66.5%).

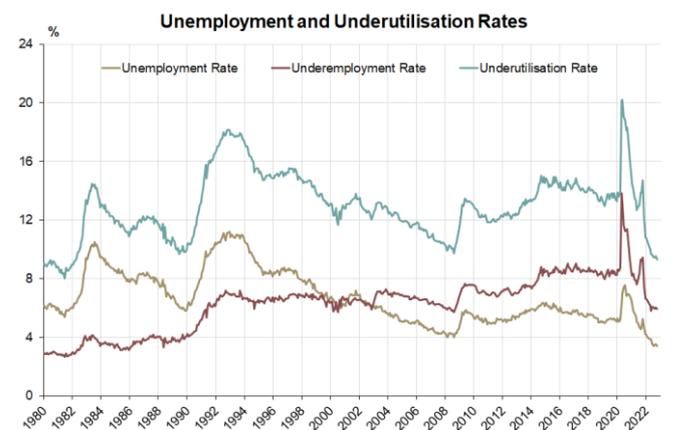
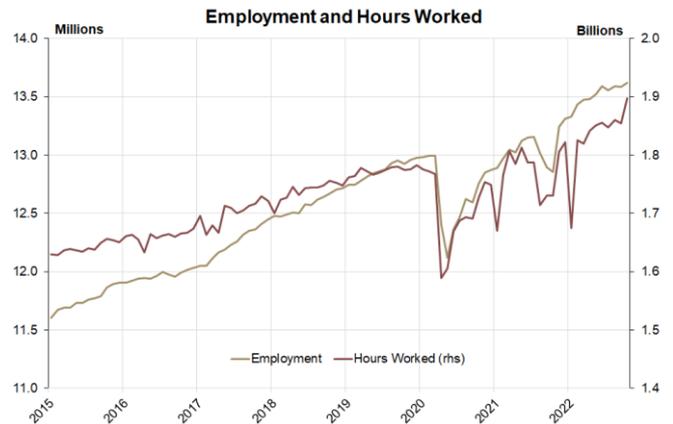
The underemployment rate (the employed who want to work more hours) declined to 5.9%. The underutilisation rate, which combines unemployment and underemployment, fell to 9.3%. This is the lowest level since March 1982.

### The States

Labour market performance in October was mixed across states, with Western Australia and Queensland seeing a decline in employment.

Despite the 11.4k decline in seasonally adjusted terms, Western Australian employment remained broadly unchanged in trend terms. Similarly, the unemployment rate picked up a seasonally adjusted 0.2ppts to 3.6% but remained steady at 3.5% in trend terms. The participation rate at 68.7% remained by far the highest of all states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	-11.4	2.1	3.6
New South Wales	34.6	9.6	3.0
Victoria	2.2	5.8	3.6
Queensland	-1.3	3.9	3.3
South Australia	11.8	2.5	4.1
Tasmania	1.0	3.5	4.0



### Comment

The October labour force survey continued to point to very robust labour market conditions. This was evident in the strong gain in employment and the decline in the unemployment rate to a new monthly series low. Measures of labour market underutilisation point to the smallest slack since the early 1980s.

The labour market remains exceptionally tight. The data released by the National Skills Commission continues to suggest that there are less than two officially unemployed people per one internet job vacancy. This labour market tightness translated into acceleration in [wages growth](#) in Q3.

The RBA forecasts that the unemployment rate will remain near 3.5% until at least mid-2023, before climbing back gradually to the still low 4.3% at the end of 2024. Employment is also expected to rise further throughout 2023 and 2024, albeit at a slower rate than we saw over the past year.

Following the strong labour force survey and wage price index report, we continue to expect further tightening by the RBA. The markets are pricing in a 25bps rate hike to 3.10% in December and a 3.60% cash rate in mid-2023.

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