

## Economic Analysis

## Labour Force December 2022

### Employment and Hours Worked

Employment fell a seasonally adjusted 14.6k in December, against the market expectations of a 25.0k gain. This followed a 58.3k gain in November (downwardly revised from 64.0k).

The fall in seasonally adjusted employment was caused by a 32.2k drop in part-time jobs. Full-time employment rose by another 17.6k, to reach a new record high.

The trend employment estimate, which looks through the monthly volatilities, rose by 26.5k.

Aggregate hours worked declined by 0.5% for the second month in a row. According to the ABS, this reflected more absences due to illness. In trend terms, however, hours worked ticked up by 0.3% in December.

Australia (Seasonally Adjusted)	Dec ('000)	Nov ('000)	YoY (%)
Total	-14.6	58.3	3.4
Full Time	17.6	33.3	5.4
Part Time	-32.2	25.0	-1.1
Aggregate Hours Worked (%)	-0.5	-0.5	3.2
Participation Rate (%)	66.6	66.8	-
Unemployment Rate (%)	3.5	3.5	-

### Unemployment, Underutilisation and Participation

The unemployment rate was unchanged from the upwardly revised 3.5% for November, while the participation rate declined 0.2ppts to 66.6% from an equal record high reached in November.

The underemployment rate (the employed who want to work more hours) rose by 0.3ppts to 6.1%, which is the highest level since July.

The underutilisation rate, which combines unemployment and underemployment, rose to 9.6%, which is the highest level in three months.

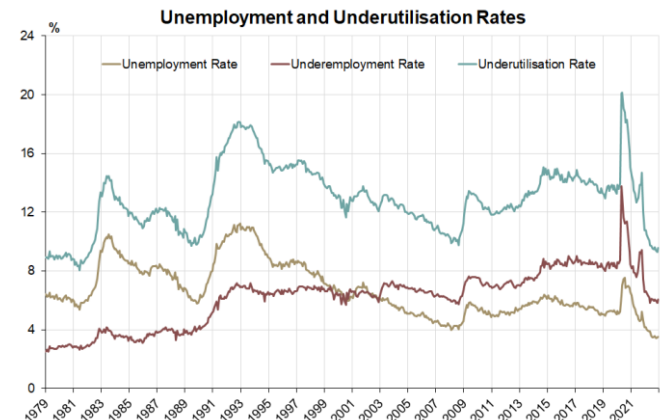
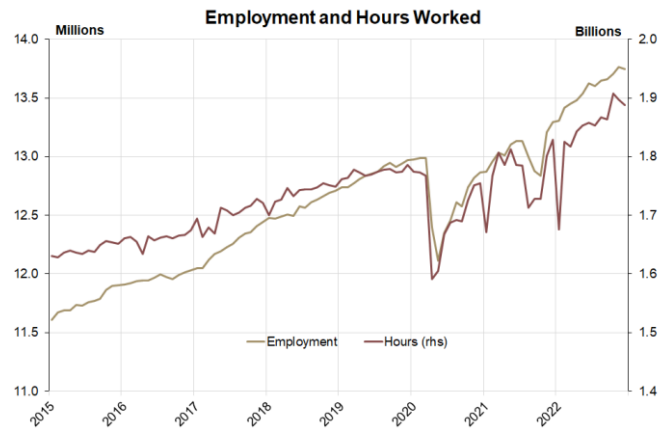
Despite these increases, both underemployment and underutilisation are very low by historical standards.

### The States

Employment fell in all states except for Western Australia and South Australia, while the unemployment rates ranged between 3.1% in New South Wales and 3.9% in South Australia.

Western Australian employment rose by 4.0k in the month, to be 1.8% up through the year. The unemployment rate ticked up to 3.5%, from the downwardly adjusted 3.4% in November. This came as the Western Australian participation rate rose by another 0.2ppts to 69.0%, to remain the highest of all states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	4.0	1.8	3.5
New South Wales	-13.8	5.0	3.1
Victoria	-13.2	2.3	3.5
Queensland	-4.2	3.3	3.8
South Australia	2.9	2.2	3.9
Tasmania	-1.9	3.9	3.6



### Comment

Despite a fall in employment and hours worked, most probably caused by increased absences due to illness, the December labour force results continued to point to strong labour market conditions. The unemployment rate remains very low, while full-time employment rose to a fresh record high.

According to the ABS data, there are still roughly as many job vacancies as the number of unemployed, suggesting the labour market remains very tight. Despite a slight rise, the underemployment rate remains close to its historical lows. The persisting labour market tightness will add to wage pressure and, in consequence, to inflation pressure in the economy.

This notwithstanding, the downside surprise to employment figures in December meant that the probability of a 25bps RBA cash rate hike in February, as implied from futures, fell below 50%.

However, we continue to expect a 25bps increase next month, as a one-off fall in employment does not imply further deterioration in the current very strong labour market conditions. The pace and timing of further interest rate increases will be dependent on the results of new projections presented by the RBA in the February Statement on Monetary Policy.

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