

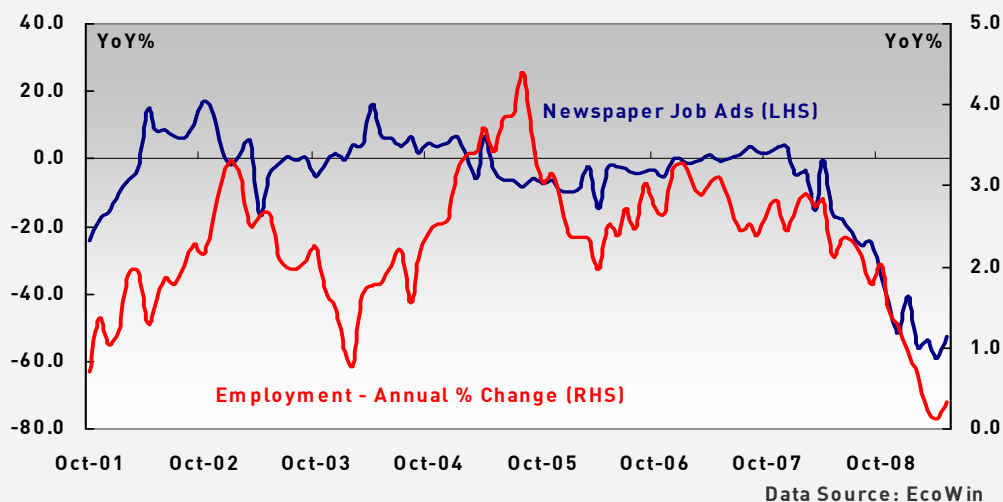
# DATA SNAPSHOT

Labour Force – May 2009

Thursday, 11<sup>th</sup> June 2009

- Only 1.7k jobs were lost in May, contrary to expectations for a larger fall of 30k. But full-time jobs fell sharply by 26.2k (offset by a 24.5k increase in part-time jobs). Meanwhile, the gain in jobs in April was revised down by 1.9k to 25.4k.
- The unemployment rate rose 0.2 percentage points to 5.7% as the participation rate edged 0.1pp higher. It matches the March rate, which was a five-year high.
- Today's outcome tells us that labour market conditions are still deteriorating (as revealed by the continued broad uptrend in the unemployment rate). But the better-than-expected outcome adds to the string of surprisingly good domestic economic figures in recent weeks. So conditions may not be as gloomy as some may have projected a few months back. This reduces the case for further interest rate cuts.

**Newspaper Job Ads Vs Employment**



Across the States and Territories, all (barring Qld and ACT) posted increases in employment in the month. The best performer was Vic. (+11.2k) and WA (+7.3k), while NSW (+0.1k), SA (+0.4k), Tasmania (+0.8k) and NT (+1.0k) posted significantly more subdued gains. The states with the highest unemployment rates were NSW (6.4%), Vic. (5.9%) and Tas. (5.7%), while Qld. (5.3%), SA (5.4%) and WA (4.9%) were in the middle of the spectrum.

There still appears to be a considerable degree of noise in this month's data set. The addition of the job creation and losses across the states reveals a national increase in employment of 16.3k, contrary to the headline fall of 1.7k. It follows an also large discrepancy in the previous month (with the summation of states showing a much smaller increase in employment). The ABS attributes this to the different way in which each data series is seasonally adjusted, but it also reflects the high degree of variability in each data set. The variability in the last two months of more than 15k, however, has been larger than usual. In the seven months prior April this variability had averaged a much lower 1.7k.

Looking at annual changes or trend data strips out some of this volatility and allows us to have a better understanding of developments. It reveals that employment conditions are clearly slowing. The current annual pace of jobs growth, of 0.3%, is well below the average of 2.2% per annum in 2008. Trend data also shows job losses for six straight months. Meanwhile, the unemployment rate has increased 1.8pp since the recent low point in February last year, of 3.9%.

But tempering the deterioration in conditions have been signs of job hoarding. That is, most

employers have not yet moved to the extreme end of the scale by cutting jobs but have rather just been cutting hours. Indeed, there appears to be a marked shift from full-time to part-time jobs with full-time jobs down 0.8% over the year but part-time jobs up 3.1%.

Forward-looking indicators suggest that employment conditions should continue to deteriorate. But there are also early signs that the pace of this slowdown could be moderating. The loss in both internet and newspaper job advertisements in May, for example, is well below the average losses seen in the months before this. Overall, job ads fell 0.2%, which is well below the average loss of 5.5% seen since May last year. However, more months of data is required to determine if such trends will indeed continue to be the case.

Nonetheless, the data follows other better-than-expected economic releases. So it does suggest that the case for further rate cuts could be weakening. We still look for interest rates to reach 2.50% by year-end (i.e. two more 25bp rate cuts). But we also flag the possibility that interest rates could have bottomed.

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