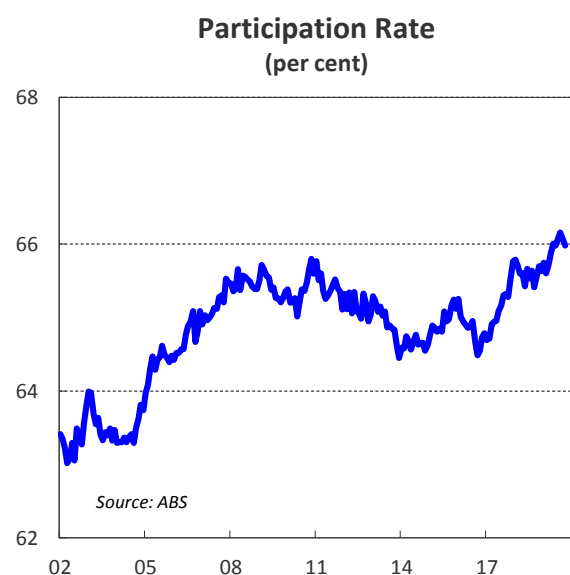
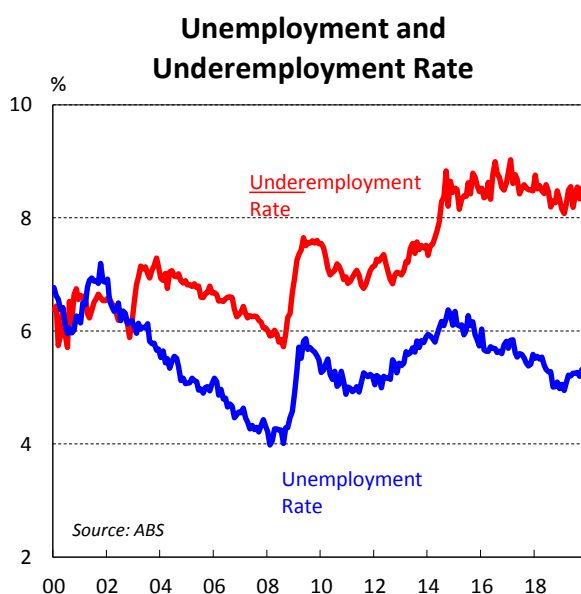


Thursday, 14 November 2019



Labour Force Employment Turns Negative

- There was a net loss of 19.0k jobs in October, following a revised 12.5k increase in September. It was the worst result since August 2016. Full-time jobs fell 10.3k and there were 8.7k fewer part-time positions.
- The unemployment rate ticked back up to 5.3%, reversing September's fall to 5.2%. The unemployment rate has been trending up since April this year, despite three rate cuts by the Reserve Bank (RBA).
- A slight drop in the participation rate blunted some of the impact of the drop in employment on the unemployment rate. The participation rate edged lower to 66.0% in October from 66.1% in September, indicating that slightly fewer people were actively looking for work over the month.
- Labour force participation remains near its record-high level of 66.2%. Relatively fast population growth combined with a greater proportion of job-seekers has been offsetting the solid employment growth seen over the last 16 months.
- The RBA has acknowledged that spare capacity is likely to persist in the labour market for some time. That said, today's result highlights the risk the unemployment rate drifts further away from the level at full employment. We continue to expect the cash rate to be cut again in February next year to 0.5%.



The unemployment rate confirmed an upward trend October, rising to 5.3% from 5.2% in September. A drop in employment drove the deterioration, with 19.0k jobs lost over the month following a 12.5k gain in September.

Both full-time and part-time employment fell over the month. Full-time positions reduced by 10.3k while there were 8.7k fewer part-time jobs. The drop in full-time positions only partially reverses the 24.9k surge it recorded in September, while part-time jobs consolidated a 12.5k fall in the previous month.

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Labour force participation has now fallen for two consecutive months, but remains near its record-high level of 66.2%. Relatively fast population growth combined with a greater proportion of job-seekers has been offsetting the solid employment growth seen over the last 16 months.

The underemployment rate picked up to 8.5% in October from 8.3% in September, returning to the level registered in August. The measure remains high by historical standards, but tends to be volatile on a month-to-month basis.

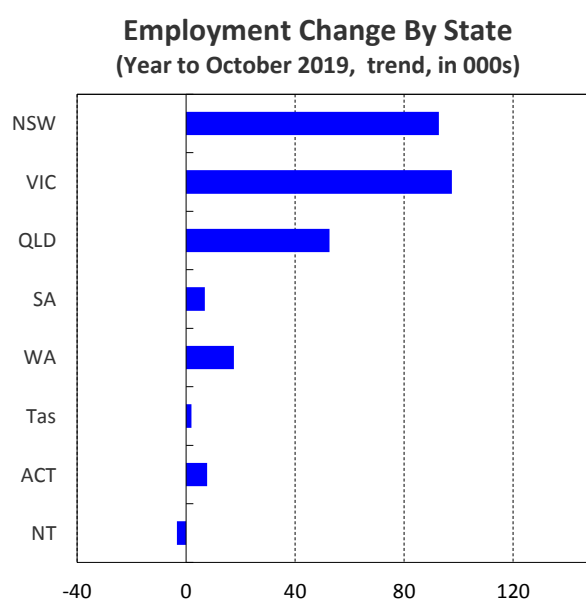
A feature of the recent economic slowdown has been the resilience of employment growth. As economic growth has slowed and business and consumer sentiment languished, employment continued to grow at an above-trend pace.

Jobs growth has averaged 20.3k per month over 2019 so far, above the long-term average of 17.5k despite the rise in the unemployment rate over the same period. The sluggishness in business confidence and other leading indicators suggests that slack in the labour market remains. The unemployment rate is likely to continue on its upward trajectory.

States and Territories

Employment prospects were broadly downbeat across States in October. The largest decline was registered in Queensland (-14.0k) while Western Australia (6.3k) recorded the biggest gain, reverting most of last month's fall. Conditions turned bleaker in New South Wales which recorded its second consecutive monthly decline, falling 10.3k in October. Victoria's labour market remains in the best shape of all States, recording a net gain in employment for the fourth consecutive month. The net change in employment fell to 6.5k in South Australia, the biggest fall since March 2018. Tasmania saw a mild 0.6k increase in jobs.

Annual growth in employment has been trending lower recently. By State, Victoria continues to grow the most jobs at 107.7k over the year. The marked slowdown net employment in New South Wales over the last two months have left it with just 62.8k annual new jobs, down from the impressive clip of 152.7k in July. At 62.5k annually, jobs growth in Queensland was not far behind.



Yearly growth remains subdued elsewhere. South Australia recorded the same number of jobs in October as it had a year ago, while Western Australia added 10.1k new jobs. Tasmania eked out a 0.7k yearly increase, just its fourth positive outturn in 2019.

In October, the unemployment rate was lowest in New South Wales and Victoria, which each recorded a rate of 4.8%. New South Wales's unemployment rose for the second consecutive month from 4.3% in August. Victoria's rose from 4.7% in September.

A large drop in the participation rate in Queensland helped keep its unemployment rate steady at 6.5% despite the fall in employment over the month. South Australia also experienced a decline in labour force participation and its unemployment rate fell slightly to 6.2%. Western Australia's unemployment rate was steady at 5.7% and Tasmania's fell 0.3 percentage points to 5.9%.

Outlook and Implications

October's drop in employment comes after 16-month streak of monthly increases.

We have been highlighting for some time that solid gains in employment growth have occurred against the backdrop of soft economic growth. Given that the outlook for economic growth remains below trend, the risk that the unemployment rate will lift further remains.

The slack in the labour market is likely to persist, according to leading indicators. Despite some less negative readings recently, business sentiment is well below its long run average and operating conditions remain weak. Uncertainty remains in the global environment, which could also impact firms' hiring decisions.

In its November Statement on Monetary Policy (SoMP), the RBA revised lower its forecasts for growth, inflation and unemployment. It has acknowledged that spare capacity in the labour market is here to stay for some time. Its revised forecast puts the unemployment rate well above the 4.5% level (which it estimates as the level at full employment) throughout the next two years. Accordingly, this suggests wage price increases and inflationary pressures will fall short of their targets. In that light, today's data increase the likelihood of further monetary easing. We continue to expect another cut to the cash rate in February next year to 0.5%.

Nelson Aston, Economist

Ph: 02-8254-1316

Contact Listing

Chief Economist	Senior Economist	Economist
Besa Deda dedab@stgeorge.com.au (02) 8254 3251	Janu Chan chanj@stgeorge.com.au (02) 8253 0898	Nelson Aston nelson.aston@stgeorge.com.au (02) 8254 1316

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