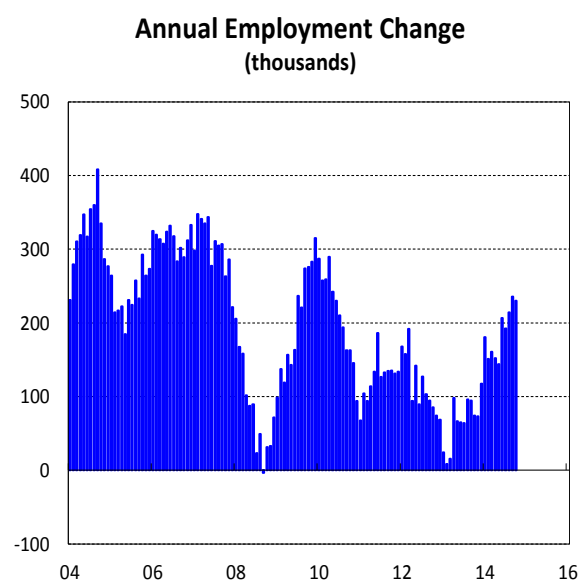


Labour Force Minor Mid-Air Turbulance

- The decline of 5.1k jobs during September was disappointing but in the context of 11.8 million jobs across the economy, it is not necessarily a signal of worse to come. Annual job growth of 230.1k over the past 12 months remains a strong outcome, even if it is a touch below the recent peak of 235.3K seen last month.
- The unemployment rate remained steady at 6.2% and seems likely to remain around that level in the months ahead. Job ads are firm, the AUD is helping the services sector and population growth via migration has slowed.
- The structure of the labour market continues to change. In the year to September, growth in full-time jobs was running at 1.6%, its equal fastest pace since November 2012. The pace of growth in part-time jobs, however, is running at 2.9% and has generally outpaced growth in full time jobs over the past year.
- September saw a mixed bag of labour market outcomes across the States. There were job gains in Victoria and Queensland but all other States saw job losses.
- In other statistics today, sales of new motor vehicles rose 5.5% in the month of September to be up 7.7% over the year.
- We continue to expect the RBA to keep its cash rate on hold for the remainder of 2015 and well into 2016.



Today's jobs report revealed a step back from the solid growth seen over the past year. Similar

setbacks were reported in February and April. Those results were eventually seen to be part of a wider trend towards stronger employment growth seen over the course of 2015.

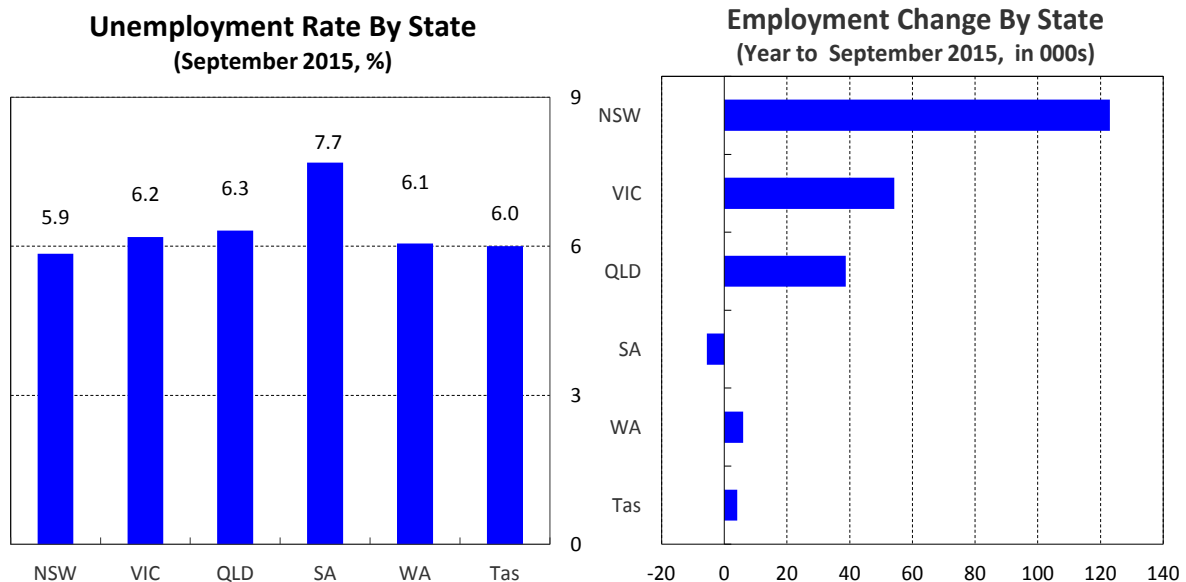
While the decline of 5.1k jobs is disappointing, in the context of 11.8 million jobs across the economy, it is not necessarily a signal of worse to come. During the month of August the 8.9k part-time jobs were outweighed by the loss of 13.9k full-time jobs.

As noted in the chart above, job growth of 230.1k over the past 12 months remains a strong outcome, even if it is a touch below the recent peak of 235.3K seen last month. Monthly employment figures are always somewhat variable whereas the recent trend has been for a steady rise in jobs.

The unemployment rate remained static at 6.2% in September. This was made possible by a small decline in the participation rate which fell from 65.0 in August to 64.9 in September. A matter for concern remains the number of people out of work, now estimated at 772.5k.

Was today's decline in jobs a sign of worse to come? We doubt it. We note that job ads have picked up and that there has not been a downturn in employment intentions in business surveys. Wage growth remains subdued and capacity utilization within firms has picked up. While there are sectors under 'employment stress' e.g. the mining sector, the broad services sector continues to have firmer hiring intentions.

The structure of the labour market continues to change. In the year to September, growth in full-time jobs was running at 1.6%, its equal fastest pace since November 2012. The pace of growth in part-time jobs, however, is running at 2.9% and has generally outpaced growth in full time jobs over the past year.



State Analysis

September saw a mixed bag of labour market outcomes across the States. There were job gains in Queensland (4.6k) and Victoria (1.0k) but the other States saw job losses. Western Australia (-9.3k) and South Australia (-8.4k) reported the most significant losses. These appear to be associated with contraction in the mining and mining services sectors. NSW reported 1.3k job losses, its first

decline since January 2015. Tasmania lost 0.9k jobs in September but this followed robust job growth of 2.9k in August.

Despite job losses in September, NSW (123.0k) has seen the strongest growth in jobs over the past 12 months. This was followed by Victoria (54.2k), Queensland (38.7k) and Tasmania (4.1k). Western Australia reported job growth of 6.0k over the year but this was the weakest result since February 2014. South Australia (-5.6k) was the only State to experience job losses.

Unemployment rates were also mixed across the States. The unemployment rate fell in NSW (5.9%), Queensland (6.3%), South Australia (7.7%) and Tasmania (6.0%). It was steady in Western Australia (6.1%) but rose in Victoria (6.2%). The ACT has an unemployment rate of 5.1% in trend terms which was up from 4.9% in August while also in trend terms, the Northern Territory saw its unemployment rate rise from 4.7% to 4.9% in September.

Motor Vehicle Registrations

In other statistics today, sales of new motor vehicles rose 5.5% in the month of September to be up 7.7% over the year.

Outlook and Implications for Monetary Policy

Over the past year job growth outcomes have generally been stronger than expected. This month was an exception but not one that signals the end of the current trend in job growth.

The weaker currency is aiding parts of the economy and business surveys show positive hiring intentions in the services sector. Job ads are also well up on a year earlier and population growth via migration has slowed. These factors point to a stabilisation of the unemployment rate and further growth in the number of jobs in the months ahead.

We cannot rule out a rise in the unemployment rate but it does appear that it should remain broadly stable over the coming year.

We continue to expect the RBA to keep its cash rate on hold for the remainder of 2015 and well into 2016.

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