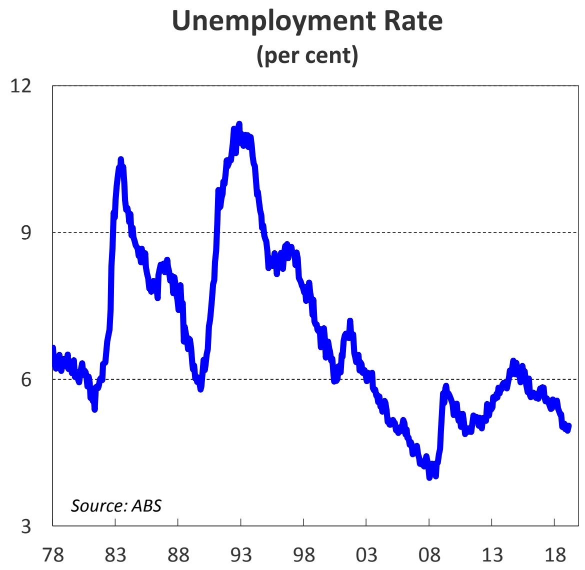
Data Snapshot

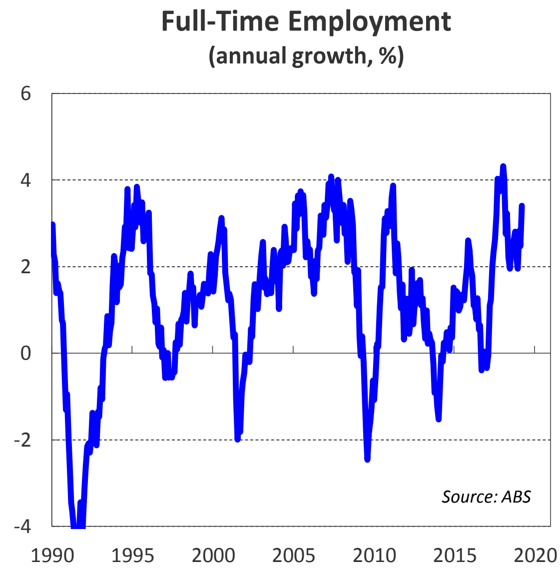
Thursday, 18 April 2019

Labour Force

Easter Bunny Bonanza

- **The Easter bunny came early - just don't tell the littlies! Jobs jumped by 25.7k in March, which was much higher than the median consensus expectation for a rise of 15.0k. Moreover, February's job gain was revised higher, from 4.6K reported initially to 10.7k.**
- **The economy has seen a loss of momentum through the second half of last year and in the early part of this year, but the slower momentum has not flowed through to the jobs market. Instead, jobs growth shows signs of acceleration. The three-month, six-month and twelve-month moving averages lifted in March.**
- **The jobs rise in March was driven by a sharp gain in full-time jobs of 48.3k. In the year to March, nearly 290k full-time jobs have been added to the economy, which is the largest since February 2018.**
- **The unemployment rate rose from 4.9% in February to 5.0% in March. The rise in this jobless rate was due to a lift in the participation rate from 65.6% in February to 65.7% in March. This participation rate is just shy of the all-time high.**
- **The RBA is hoping for a resolution in coming months to the tensions between the strength in the labour market and the weakness in economic growth. The RBA may need to wait a little longer before this resolution is found. The risks are the cash rate is likely to remain unchanged while the conundrum continues.**





The Easter bunny clearly came early - just don't tell the littlies. Jobs jumped by 25.7k in March, which was much higher than the median consensus expectation for a rise of only 15.0k. Moreover, February's job gain was revised higher, from 4.6K reported initially to 10.7k.

The economy has seen a loss of momentum through the second half of last year and in the early part of this year, but the slower momentum has not flowed through to the jobs market. Some sectors are showing signs of slower growth, most notably the more cyclical sectors of the economy. However, the jobs market in aggregate continues to remain surprisingly resilient, which means the RBA continues to face a conundrum. While hiring activity lags economic activity, we would expect some signs of slower jobs growth to have emerged by now. But instead jobs growth shows signs of acceleration. The three-month, six-month and twelve-month moving averages lifted in March. These averages help smooth out the volatility of job changes month to month.

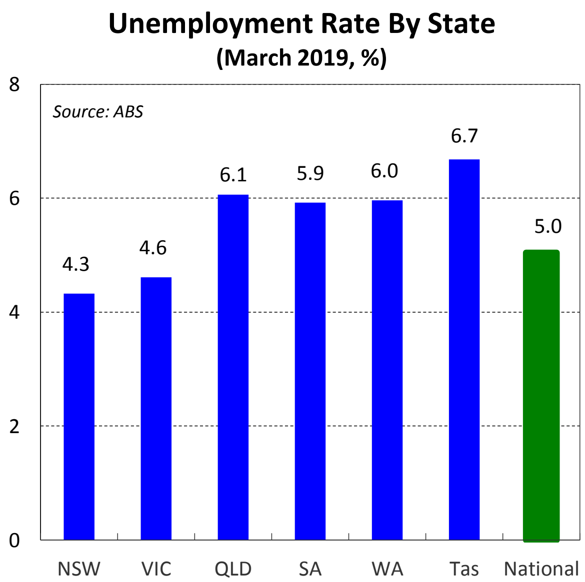
The three-month moving average lifted to 23.7k in March, the highest in two months. The six-month moving average rose to 26.7k, the fastest in three months and the six-month moving average accelerated to 25.4k, the greatest in five months.

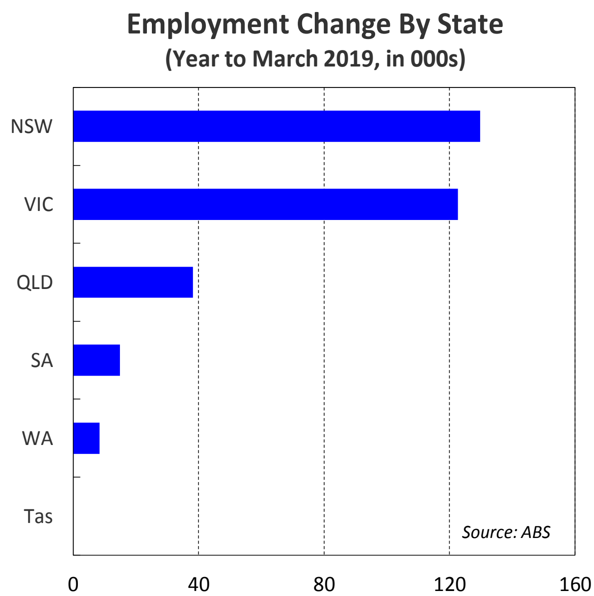
The jobs rise in March was driven by a sharp gain in full-time jobs of 48.3k. Full-time jobs have experienced considerable volatility since late 2018 with big gains interspersed with small losses since that time. In the year to March, nearly 290k full-time jobs have been added to the economy, which is the largest since February 2018. The annual pace of growth in full-time jobs is also the fastest since February 2018 at 3.4%.

Part-time jobs over the same time period have only been 14.9k, the smallest since November 2012. Some of the loss in part-time jobs might be explained by a rotation from part-time work to full-time work, as the labour market tightens and workers pick up more hours.

Total new jobs gains over the year to March rose to 306.4k, the highest in five months.

The unemployment rate rose from 4.9% in February to 5.0% in March. The rise in this jobless rate was due to a lift in the participation rate from 65.6% in February to 65.7% in March. This participation rate is just shy of the all-time high of 65.8%.





States and Territories

Job gains were mostly spread across Victoria (10.0k), Queensland (10.4k) and South Australia (8.5k) in March. Weakening labour market conditions was evident in NSW, where jobs declined

2.6k in March, falling for the second consecutive month. However, it followed a large rise in jobs in January; at the time, it was the biggest monthly jobs gain in 21 years. The downturn in Sydney's housing continues to pose a risk of a negative impact on employment in the premier State. Among other States, there was a modest increase in jobs in Western Australia (1.5k) and a 1.8k fall in jobs in Tasmania.

On a year ago, there continues to be the strongest job gains in NSW (129.8k) and Victoria (122.7k). Annual increases were modest in Queensland (38.2k), South Australia (14.9k) and in Western Australia (8.4k). Tasmania (-2.7k) was the only State where jobs declined in the year.

Despite weakening job growth, NSW continued to have the lowest unemployment rate of all States, which held steady at 4.3% in March. Victoria was not far behind, where the unemployment rate fell from 4.7% in February to 4.6% in March. Unemployment rates edged higher in Queensland (from 5.4% to 6.1%), South Australia (5.7% to 5.9%), Western Australia (5.9% to 6.0%) and Tasmania (6.5% to 6.7%).

In the ACT and NT where trend rates are only available, the unemployment rates were 3.6% and 4.4%, respectively.

Outlook and Implications

The strength of the labour market and the soft pace of economic growth have continued to provide diverging signals. Today's data provides little resolution to this puzzle.

We should be mindful of other factors which could result in the labour market being stronger than suggested by traditional measures of economic activity. Other economies around the world have continued to experience strong labour markets, despite weak economic growth. If these factors are likely to persist, then the resilience in the labour market may continue longer than what we expect.

However, we continue to expect that employment conditions will moderate over coming months, given the downside risks from the consumer and housing sectors. Moreover, the softer pace of economic growth and the fall in business conditions and confidence also suggest a weaker pace of employment growth.

The RBA has recently laid out the scenario in which it would be appropriate to lower the cash rate. This scenario includes a lack of a pick up in inflation and unemployment trending upwards. We have yet to see a trend of higher unemployment emerging. The RBA is hoping for a resolution in coming months to the tensions between the strength in the labour market and the weakness in economic growth. The RBA may need to wait a little longer before this resolution is found. The risks are the cash rate is likely to remain unchanged while the conundrum continues.

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