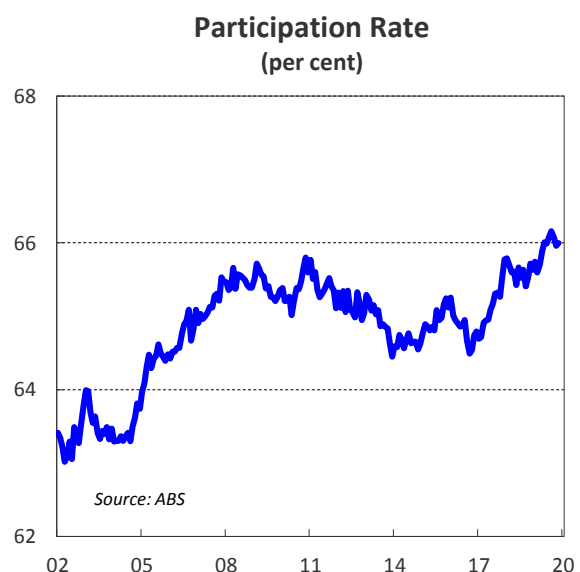
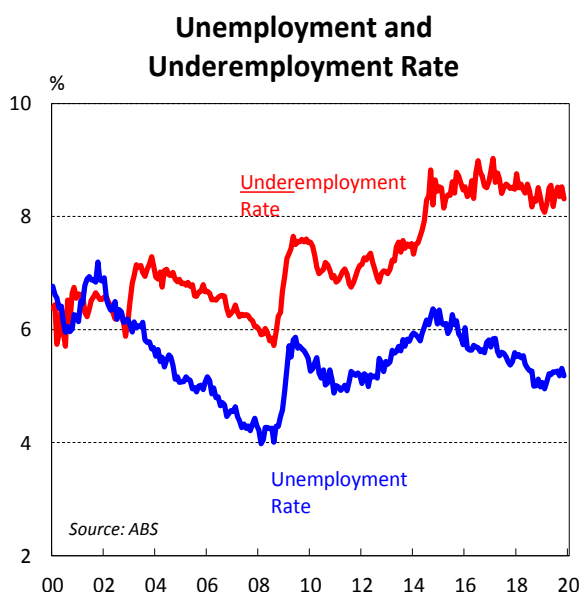


19 December 2019



Labour Force Good Job

- Australian employment posted its largest monthly gain in 15 months in November, led by a surge in part-time jobs. There was a net gain of 39.9k jobs over the month, more than offsetting the 24.8k drop in October.
- The unemployment rate ticked lower to 5.2% in November. Despite the recent see-sawing, the unemployment rate has been gradually trending up since the beginning of this year.
- The participation rate remained steady at 66.0%, near its record high of 66.2% reached in August. The high level of the participation rate indicates that a large proportion of the working-age population are actively looking for work.
- An elevated participation rate combined with high population growth has meant that the labour market has shown continued signs of spare capacity throughout 2019, despite solid gains in employment.
- The flow of economic data between now and next February is crucial to the Reserve Bank's (RBA) interest-rate decision. Today's strong employment result slightly reduces the chance of a rate cut, however, risks to the economy remain tilted to the downside. Economic growth was weaker than expected in the September quarter and the outlook for consumer spending remains lacklustre. We continue to expect the RBA to cut the cash rate to 0.50% at its February meeting.



There was a note of holiday cheer in today's labour force data. The unemployment rate eased to 5.2% in November from 5.3% in October. Net employment surged by 39.9k from a downwardly revised 24.8k loss in October.

A 35.7k jump in part-time employment drove the gain over the month. Full-time employment rose 4.2k. Over 2019, a majority of the increase in employment has been attributable to full-time jobs, which have risen 144.7k in the calendar year compared with a 110.2k rise in part-time roles. Full-time work is more stable and, therefore, is an encouraging feature of the jobs data.

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Further detail in the data shows that the broad strength in the participation rate recently has been driven by rising female participation. The female participation rate remained at a record high 61.2% in November. The male participation rate edged slightly higher to 71.0%, although it has been broadly stable over 2019.

The underemployment rate, which measures the proportion of those employed but looking to work more hours, moved lower in-step with the unemployment rate. The underemployment rate dropped to 8.3% in November from 8.5% in October. The measure can be volatile on a month-to-month basis and remains high and sticky by historical standards.

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.

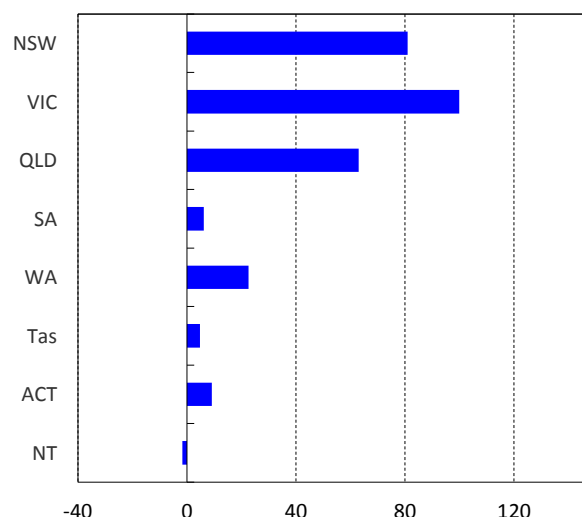
Jobs growth has averaged 21.7k per month over 2019 so far, above the long-term average of 17.5k and in spite the gradual rise in the unemployment rate over the same period. The sluggishness in business confidence and other leading indicators suggests that slack in the labour market remains. The unemployment rate is likely to resume its upward trajectory.

States and Territories

All States except for New South Wales recorded employment growth in November. Victoria and Queensland recorded the largest increases, of 13.7k and 17.3k, respectively. Victoria's labour market remains relatively tight. On the other hand, the softening in New South Wales's labour market since the second half of the year continued. Employment fell 2.8k in NSW in November, which is its third straight decline. Other States to record increases in the month were South Australia (2.6k), Western Australia (0.3k) and Tasmania (2.4k).

On an annual basis, trend employment growth remains highest in Victoria, at just under 100k jobs over the past 12 months. There has been a marked slowdown in growth in New South Wales

Employment Change By State
(Year to November 2019, trend, in 000s)



from highs of almost 150k net jobs added over the year in 2018 to 80.9k in the year to November. The yearly addition of jobs in Queensland continued to increase at 63.1k. The national annual rate of employment growth is slowing, and remained at just 2.0% in November, despite the large increase in employment over the month.

In November, the unemployment rate was lowest in Victoria, which recorded a rate of 4.7%. New South Wales's unemployment fell from 4.8% in October to 4.7% in November. The highest rate of unemployment was recorded in Queensland and South Australia, at 6.3% each. South Australia has seen a general loosening in labour market conditions since the unemployment hit a recent low of 5.4% in November 2018.

Tasmania's unemployment rate remained steady at 6.0%, due to a 0.6 percentage point increase in the participation rate. Tasmania's unemployment rate has been trending lower over the year as its economy has improved.

Outlook and Implications

November's gain in employment was the highest in 15 months. The previous month's fall, which was revised even lower, highlights that employment data can be volatile on a month-to-month basis. But the unemployment rate has been stuck in a range of 5.2-5.3% over recent months, well above the RBA's estimate of the rate at full employment of 4.5%. We expect slack in the labour market to persist, given the soft outlook for economic growth and the weakness in leading indicators.

Following a weaker-than-expected outturn for economic growth in the September quarter, the final quarter of the year has been off to a soggy start. Business sentiment remains well below its long run average and operating conditions remain weak. Despite the "phase-one" trade deal between the US and China recently, uncertainty remains in the global environment, which could also impact firms' hiring decisions.

The minutes of the RBA's December meeting showed that the board was waiting to further assess the impact of its three rate cuts since June. The flow of economic data between now and the next policy meeting in February is crucial. Today's strong employment result reduces the chance of a rate cut, however risks to the economy remain tilted to the downside. We continue to expect another cut to the cash rate in February next year to 0.50% and a further cut in June to 0.25%.

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