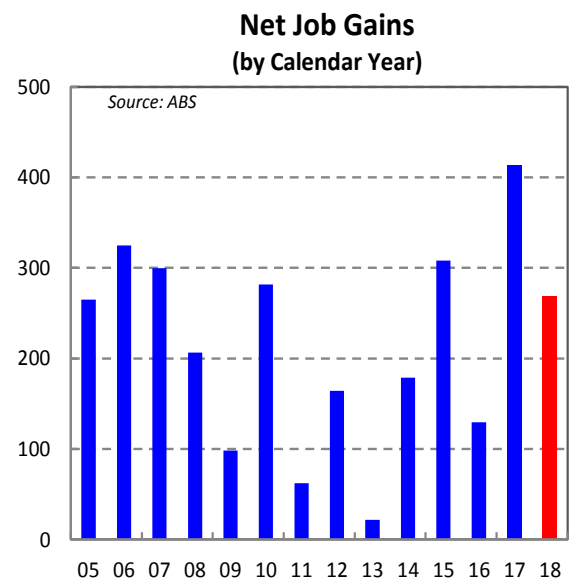


Thursday, 24 January 2019



Labour Force Still Going Strong

- The labour market is continuing to go from strength to strength. Jobs grew a solid 21.6k in December. Moreover, December's result followed solid outcomes in the two month's prior. Over the past three months, jobs gains averaged 29.1k per month.
- The economy added 269 jobs over 2018. It was down on the over 400k net jobs created over 2017, but it is still a firm increase in jobs. Importantly, the strength of job gains has been sufficient to bring down the unemployment rate to 5.0% in December from 5.6% a year ago.
- Some of the detail took some shine out of the report. December's job gain was entirely driven by part-time work, which rose 24.6k. Meanwhile, full-time jobs fell 3.0k, dropping for the second consecutive month. It was the first back-to-back decline in full-time jobs in just over two years.
- Victoria overtook NSW as the State with the strongest job gains in the year to December. Victoria also now has the lowest unemployment rate across States ahead of NSW.
- There continues to be a risk that the unemployment rate falls further. However, we expect some moderation in job growth given downside risks to the economy from falling dwelling prices and greater uncertainty from the global economy.



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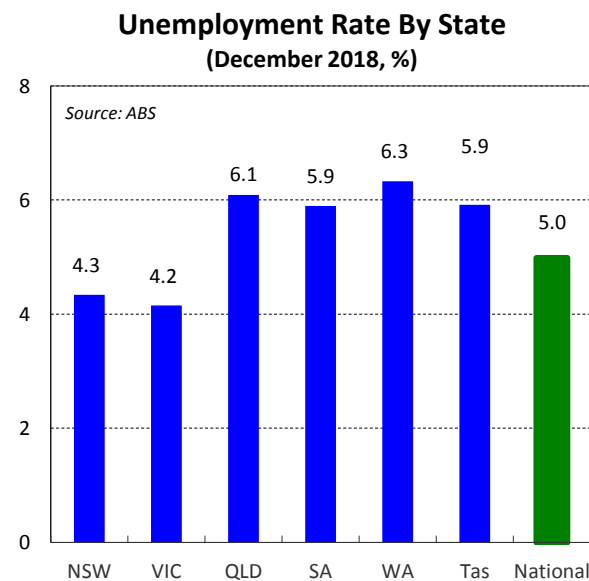
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Another less positive aspect of the release was that the fall in the unemployment rate in the month was helped by a fall in the workforce participation rate from 65.7% to 65.6%.

States and Territories

There were modest job gains across most States and territories, led by Queensland (11.6k) followed by Victoria (10.5k), and smaller increases in NSW (3.8k) and South Australia (1.1k). Meanwhile, jobs declined in Tasmania (-1.8k) and Western Australia (-15.3k).

Victoria overtook NSW as the State with the strongest job gains in the year to December, rising 120.2k versus 94.3k. Queensland (54.7k) and South Australia (13.2k) posted modest job gains, while jobs declined in Western Australia (-5.5k) and Tasmania (-2.5k).



NSW also lost the mantle to Victoria of having the lowest unemployment rate of all States.

Victoria's unemployment rate stood at 4.2% in December, down from 4.5% in November. NSW's unemployment rate however, remains very low at 4.3%. There is a disconnect between the NSW and Victoria and other States, where unemployment rates are hovering closer to 6% including Queensland (6.1%), South Australia (5.9%), Western Australia (6.3%) and Tasmania (5.9%). In trend terms, ACT's unemployment rate was steady at 3.6%, while the Northern Territory's unemployment rate edged up from 4.9% to 5.0%.

Outlook

Job growth has been strong, and the unemployment rate currently sits close to the RBA's estimate of full-employment. There continues to be a risk that the unemployment rate falls further. That said, there is evidence of spare capacity remaining in the labour market, given that wage pressures remain subdued. There is also risk that we will see some moderation in job growth given downside risks to the economy from falling dwelling prices and greater uncertainty within the global economy.

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