

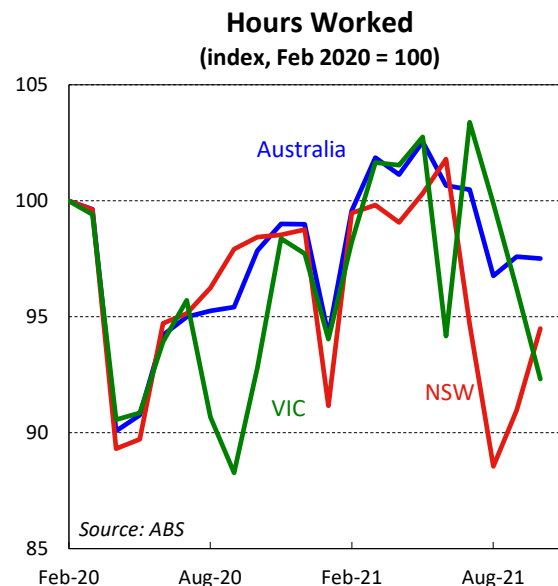
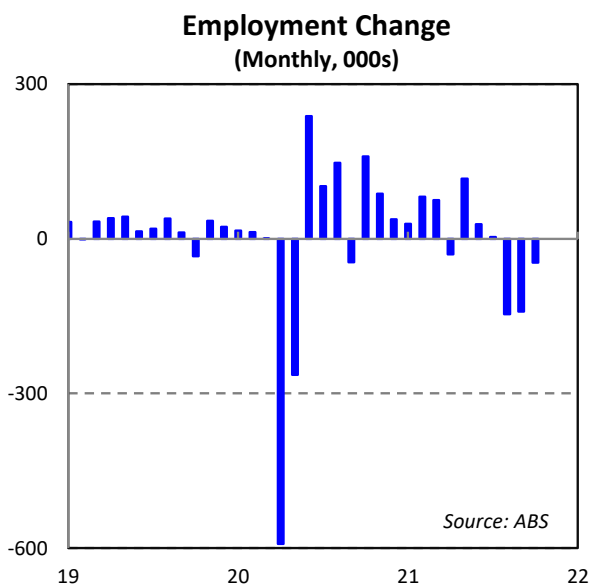
Thursday, 11 November 2021



Labour Force

NSW Breaks 4-Month Losing Streak

- The labour force data for October showed a solid rebound in the jobs market in New South Wales. Victoria dragged down the numbers, likely reflecting restrictions easing later in Melbourne.
- Employment declined 46.3k, consistent with our expectation of a 50k decline in the month. The participation rate lifted as workers returned to the labour market. It contributed to an increase in the unemployment rate to 5.2%, from 4.6% in September.
- A better indicator of the state of the labour market during lockdowns is hours worked. Nationally, hours worked eased just 0.1% in October. But this obscures a solid 3.9% rebound in hours worked in NSW, which was offset by a 4.0% decline in Victoria.
- Jobs dropped in Victoria (52.8k) but jumped up in NSW (21.7k) marking the first increase in jobs in the state since May. Elsewhere, employment slipped lower in Queensland, WA, the ACT and Tasmania, and increased in SA and the NT.
- Job ads increased in October, and remain around their highest level in a decade. This speaks to the challenges many businesses face in securing staff but also suggests that the labour market is well placed to bounce back in the coming period.
- Despite the drag from Victoria, today's data reaffirmed our upbeat view on the outlook for jobs. We continue to expect the unemployment rate will march lower to sub 4% by the end of next year. The last time the unemployment rate consistently held around these levels was the 1970s!



The labour force data for October showed a solid rebound in the jobs market in New South Wales. Victoria dragged down the numbers, likely reflecting restrictions easing later in Melbourne.

Across the country, employment declined 46.3k, consistent with our expectation of a 50k decline in the month. There was considerable uncertainty over the data this month, reflecting the timing of the survey from 26 September to 9 October – just before restrictions eased. Lockdown lifted on 11 October in Sydney and 22 October in Melbourne. Forecasts for the change in employment ranged from -50k to +120k.

The participation rate lifted as workers returned to the labour market. It contributed to an increase in the unemployment rate to 5.2%, from 4.6% in September.

A better indicator of the state of the labour market during lockdowns is hours worked. Overall, hours worked fell 0.1% in October. But this obscures a solid 3.9% rebound in hours worked in NSW which was offset by a 4.1% decline in Victoria.

There have been 334k jobs lost nationally over the three months to October, reflecting the extended lockdowns in NSW and Victoria. These losses are not as severe as the 856k jobs lost during the first half of last year when the national lockdown occurred.

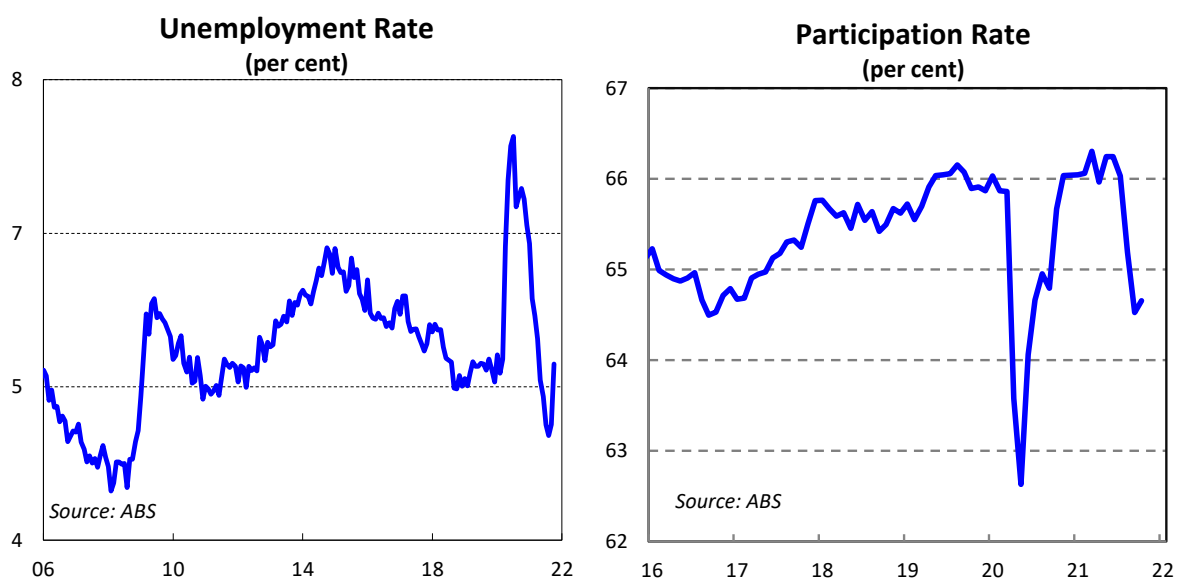
Encouragingly, the labour market is at a turning point as we (hopefully) put the worst of COVID behind us. Overall, it is an encouraging print which reaffirms our expectation for solid rebound in the jobs market over the next year.

Hours worked

Nationally, hours worked edged down 0.1% in October.

In NSW hours worked has increased for the past two months. This may have reflected employers ramping up hours in anticipation of the imminent easing of restrictions during October. Reserve Bank liaison suggests many businesses were hiring in preparation for lockdowns ending. Hours worked in NSW remains 7.2% below its pre-Delta peak in June.

Meanwhile, hours worked in Victoria declined for the third consecutive month and remains 10.7% below its peak in July. The divergence in the data for Sydney and Melbourne likely reflects differences in the timing of reopening and should be short lived.



Hours worked jumped 3.1% higher in the ACT. The lockdown in the nation's capital also lifted in

October.

Across all states, hours worked remains higher than the lows reached in 2020.

The number of people working zero hours due to economic reasons, which captures people who have been stood down, held steady around 190k, well down on the peak of over 750k in April 2020.

Unemployment rate

The unemployment rate is not always the most reliable indicator of the health of the labour market during lockdowns because of the sharp decline in participation.

In October, the unemployment rate rose 0.6 percentage points to 5.2%, its highest level since April. However, it remains in the bottom end of the range from over the past decade.

The uptick reflected people returning to the labour force shortly ahead of the easing of restrictions. This pushed up the participation rate 0.2 percentage points to 64.7%, although it remains well under the record high of 66.3% recorded in March.

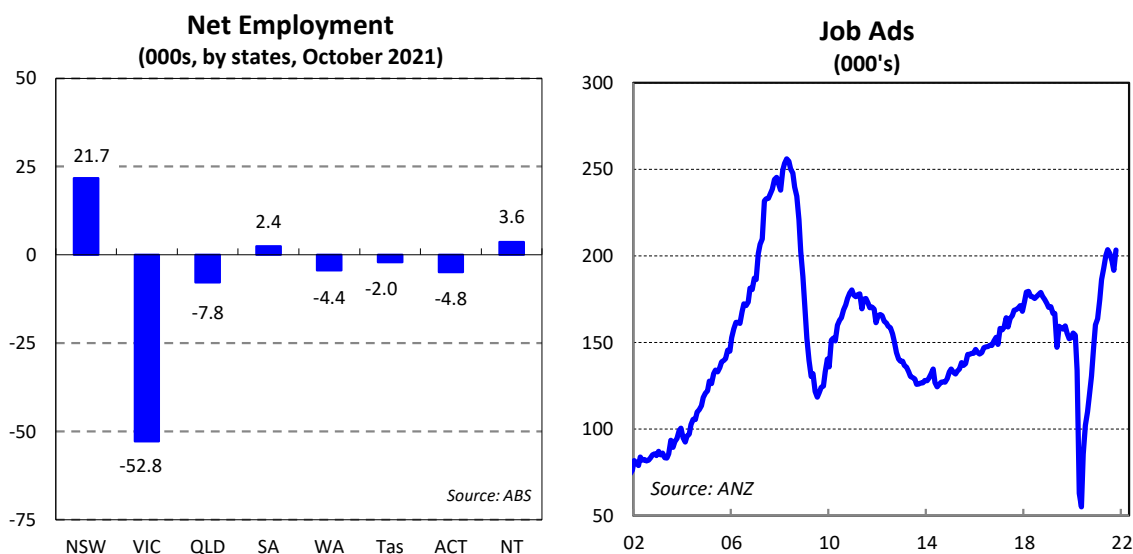
The unemployment rate may edge higher in the coming months, although there is considerable uncertainty over how exactly it will evolve. It will depend on both how quickly employment bounces back but also, critically, on how fast workers return to the labour force.

But beyond the near-term uncertainty, we continue to expect the unemployment rate will march lower to sub 4% by the end of next year.

The states

Victoria's labour market continued to struggle in October, as lockdowns weighed on businesses. Employment fell 49.6k in the state, the second consecutive monthly decline. The reading brings the total jobs shed from the Victorian delta lockdown to 175.6k.

In NSW, employment increased 21.7k in October, partly recovering from the decline over the previous four months. Both the participation rate and hours worked picked up in NSW during October, with the latter up 3.9%. The lift in these measures indicates that a recovery in the NSW jobs market was underway even before the lockdown lifted.



South Australia and the Northern Territory also experienced a rise in employment during October, with employment up 2.4k and 3.6k, respectively.

Jobs slipped lower in Queensland (-7.8k), WA (-4.4k), Tasmania (-2.0k) and the ACT (-4.8k). However, employment in all states outside NSW and Victoria is holding around or above pre-pandemic levels.

The increase in participation in anticipation of easing restrictions also saw large increases in the unemployment rate in NSW (up 0.8 percentage points to 5.4%) and Victoria (up 0.9 percentage points to 5.6%).

Other labour market measures

Other measures of slack in the labour market were mixed. The underemployment rate – which captures people who are employed but want to work more hours – increased from 9.2% to 9.5%, its highest level since October 2020. The underutilisation rate, the combination of the unemployment and underemployment rates, also ticked up from 13.9% to 14.7% in the month. This is its highest level since December 2020.

Job ads, a leading indicator of employment, rose 6.2% in October. This increase recovered lockdown-related losses over the previous three months. Jobs ads remain around their highest level in a decade. This speaks to the challenges many businesses face in securing staff but also suggests that the labour market is well-placed to bounce back in the coming period.

Outlook

The labour market is on solid footing to rebound as the economy reopens. Despite the drag from Victoria, today's data reaffirmed our upbeat view on the outlook for jobs.

It remains possible the unemployment rate will tick up further in the coming months, as people return to searching for work after lockdowns lift. However, we continue to expect the unemployment rate will march lower to sub 4% by the end of next year. The unemployment rate hasn't consistently held around these levels since the 1970s!

Business confidence is near record highs, and consumers have already started to make up for lost spending opportunities during lockdown. Plus, the cash rate remains at a record low, and the balance sheets of households and businesses are in good condition. These factors will all help get Australians back to work.

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