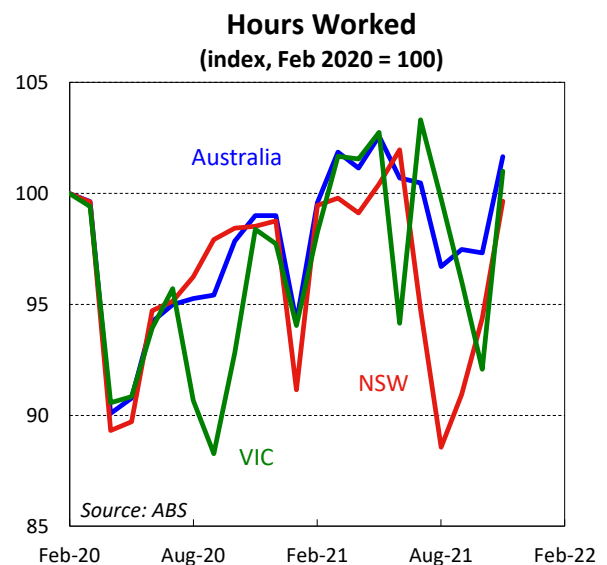
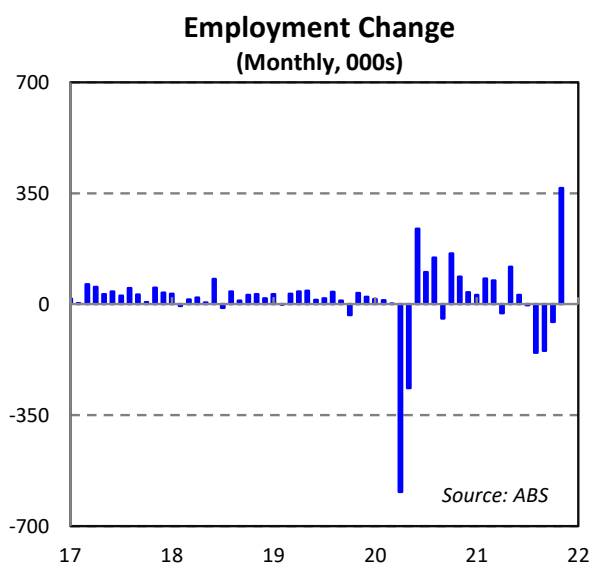


Thursday, 16 December 2021



## Labour Force Blockbuster Rebound

- Christmas has come early. In a remarkably strong result, 366.1k new jobs were added in November. This is the largest increase in employment in a single month on record in data which starts in the late 1970s. The jobs spike also fully recovers the jobs lost over July to October due to the lockdowns.
- The unemployment rate fell 0.6 percentage points to 4.6%, back near its lowest level in more than a decade.
- At the same time, the participation rate leapt to 66.1% from 64.6% in October, just shy of the record high of 66.3%. The result reflects people returning to the labour force after lockdowns.
- Hours worked, a better indicator of the state of the labour market through lockdowns, jumped 4.5% in November and is now less than 1% below of its level before the Delta lockdowns.
- Easing restrictions in New South Wales and Victoria drove the result. Employment was up a record 179.8k and 141.0k in each state, respectively.
- Meanwhile, job ads jumped to their highest level since September 2008, pointing to further jobs growth. These ads also highlight the labour shortages which businesses are facing.
- Today's blockbuster report is further evidence the economy is in the midst of a rapid recovery from the Delta lockdowns. Jobs growth is set to continue as economic activity picks up. We expect the unemployment rate to march lower to sub 4% by the end of next year. The spread of Omicron needs to be eyed, however, as it could slow the recovery in jobs and growth.



Christmas has come early. In a remarkably strong result, 366.1k new jobs were added in November. This is the largest increase in employment in a single month on record. The data starts in the late 1970s. It also fully recovers the jobs lost over July to October (359k). Consensus forecasts were for a 200k increase with the upper end of the forecast range at 310k. For comparison, the second highest reading was in June 2020, when 237.6k jobs were added after the national lockdown lifted.

There are a number of labour market indicators economists follow, and they were strong across the board. The unemployment rate fell 0.6 percentage points to 4.6%. Hours worked, a better indicator of the state of the labour market through lockdowns, jumped 4.5% in November and is now less than 1% short of its level before the Delta lockdowns.

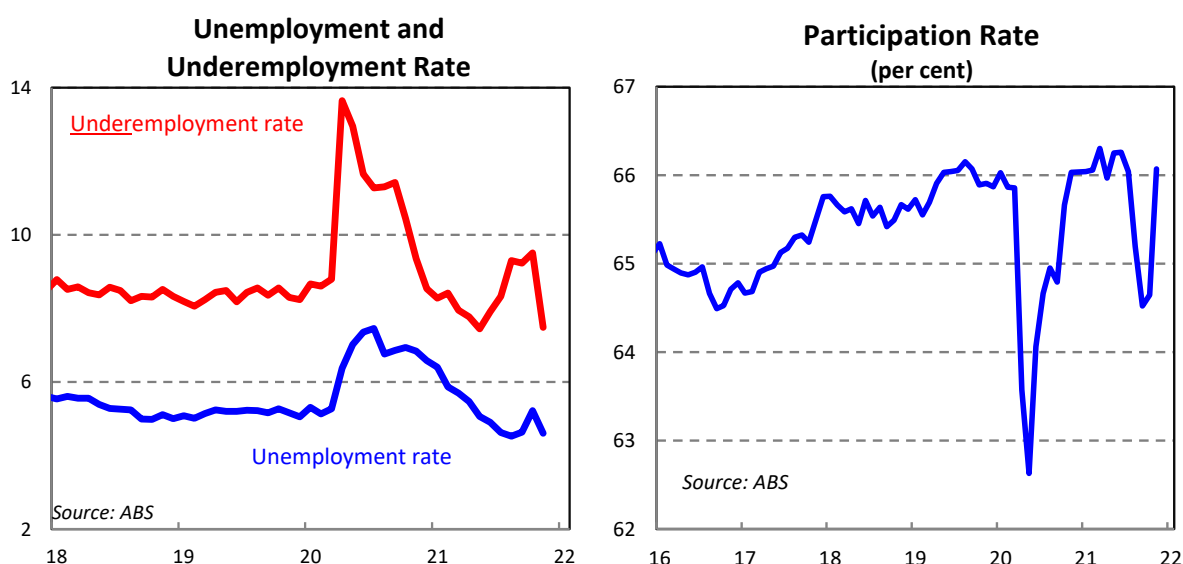
Easing restrictions in New South Wales and Victoria drove the result. These states posted record gains in the month. As a result, employment in these states was almost back at pre-Delta levels just one month after lockdowns lifted.

The rapid jobs recovery reflects that most people remained attached to their jobs during the Delta lockdowns and so were able to return to work quickly as restrictions eased. Many employers were mindful of labour shortages heading into the lockdowns, and so were reluctant to let go of staff to then have difficulty rehiring in a few months time. Employers tried to cut hours worked rather than lay off staff where possible.

### Unemployment rate

The dramatic surge in employment saw the unemployment rate fall to 4.6%, taking the unemployment rate back to near its lowest level in more than a decade.

At the same time, the participation rate leapt to 66.1% from 64.6% in October, just shy of the record high of 66.3%. The result reflects people returning to the labour force after lockdowns.



### Hours worked

Hours worked leapt 4.5% in November, driven predominantly by NSW and Victoria. Hours worked rose 5.6% and 9.7% in NSW and Victoria, respectively. Similarly, hours worked jumped 10.0% higher in the ACT, where lockdown also lifted in October. On a national basis, hours worked are now less than 1% short of their pre-Delta high in May.

Hours worked have increased in NSW for the past three consecutive months. In Victoria, hours

worked shot higher in November after declining for the previous four months. The recovery in hours worked in Victoria lagged NSW slightly because restrictions eased later in Victoria. These results leave hours worked in NSW just 2.3% below its pre-Delta peak in June, while Victoria is only 2.2% its peak in July.

The number of people working zero hours due to economic reasons, which captures people who have been stood down, dropped sharply to around 80k from 190k in October. This is around the same level as November 2020, and is well down on the peaks of 250k in August.

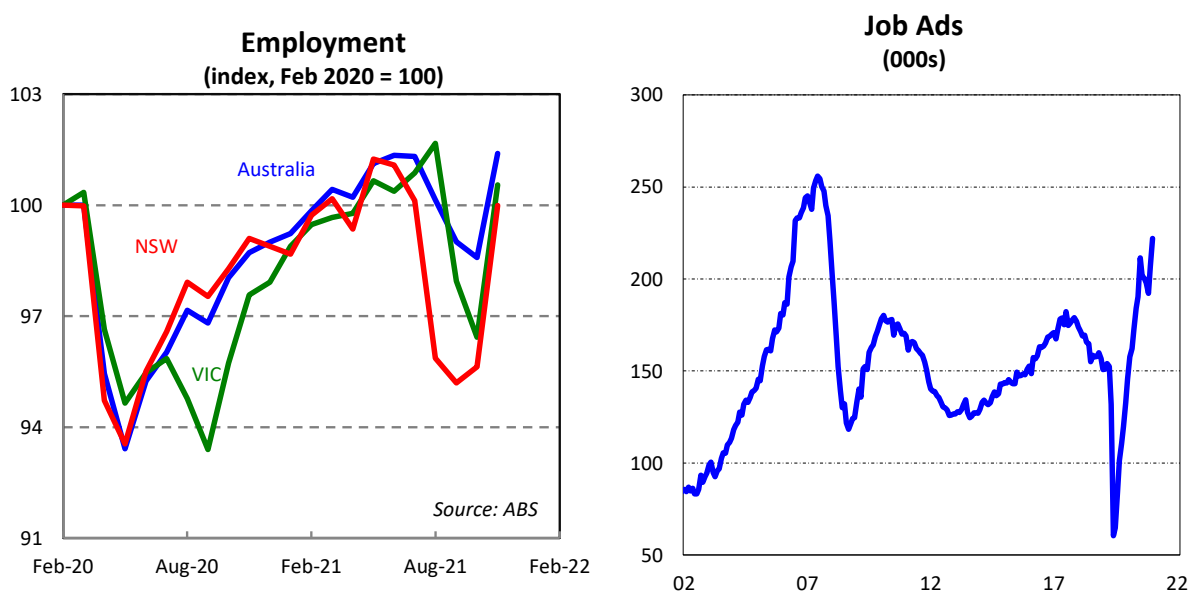
### The states

All states and territories reported an increase in employment, save for the NT. Employment gains were led by NSW and Victoria, which both experienced their largest jump in jobs on record, up 179.8k and 141.0k, respectively.

The participation rate lifted to 64.9% in NSW and 66.2% in Victoria, as workers re-joined the labour force. In NSW and Victoria participation is now marginally below highs in May of this year.

Consistent with the national data, the unemployment rate dropped in both states, despite the rise in participation. The unemployment rate in NSW dropped to 4.6% and is sitting at 4.7% in Victoria.

Queensland (14.2k), SA (10.1k), WA (22.7k) and Tasmania (1.8k) reported a more modest rise in employment. Meanwhile, the participation rate picked up in all states, alongside a fall in the unemployment rate, except for Tasmania, where the unemployment rate was flat.



### Other labour market measures

Other measures of slack in the labour market also painted a positive picture.

The underemployment rate – which captures people who are employed but want to work more hours – dropped from 9.5% to 7.5% – the lowest level since May this year.

The underutilisation rate, the combination of the unemployment and underemployment rates, also fell sharply – from 14.7% to 12.1% – its lowest level since 2012.

Job ads, a leading indicator of employment, jumped 7.4% in November to their highest reading since September 2008. The trend in job ads shows robust demand for labour and points to further jobs growth, although it also reflects the labour shortages which businesses have been facing.

## **Outlook**

Today's blockbuster report is further evidence the economy is in the midst of a rapid recovery from the Delta lockdowns.

The result speaks to strength of the underlying momentum in the economy underpinned by government stimulus, low interest rates, and high vaccination coverage that has allowed the relaxation of restrictions. Household balance sheets are in good condition. Moreover, businesses and consumer confidence has held up well through the lockdowns, which has supported spending and hiring as restrictions eased.

Jobs growth is set to continue as economic activity picks up. We 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!

Seeing more Australians back at work is welcome an early Christmas present. However, the spread of Omicron must be eyed as we head into 2022. It presents a downside risk to growth and the jobs recovery if it leads to a rise in hospitalisations and, in turn, a return to extended lockdowns.

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