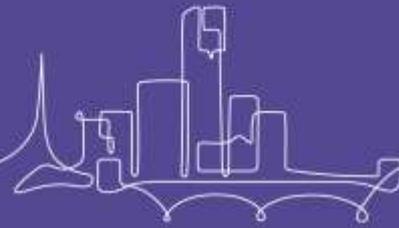


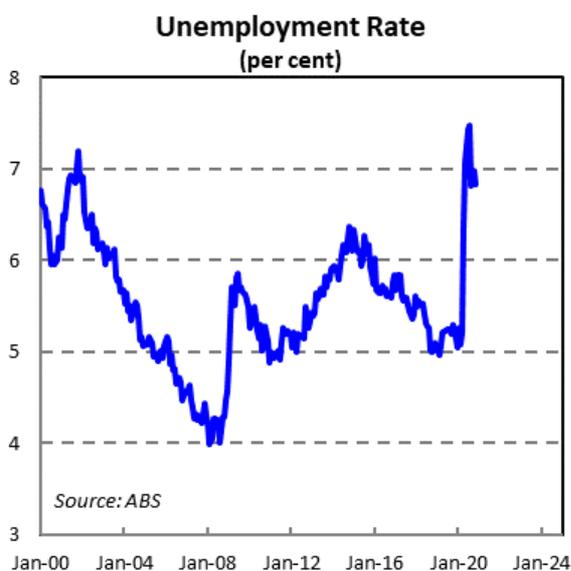
Thursday, 17 December 2020



Labour Force

Jobs Are Being Recreated at a Solid Pace

- In November, 90.0k jobs were created. This follows the creation of 180.4k jobs in October. Jobs are being recreated at a solid pace as the economy re-opens, and there are more to come.
- An expanding employment market is drawing back discouraged workers. The participation rate rose from 65.8% in October to 66.1% in November and the unemployment rate fell to 6.8% from 7.0% in October.
- The level of employment in Australia is now just 0.7% below its pre-COVID-19 level in February but that still represents over 143.1k jobs lost.
- In November, hours worked reached 1,752million hours, 0.7% below their pre-pandemic level.
- Despite the good news on job growth and unemployment, youth unemployment remains disturbingly high, ticking up from 14.5% in October to 14.6% in November.
- Victoria led the charge in jobs growth but remains 1.8% below its February, pre-pandemic level with an unemployment rate of 7.1%. Queensland and South Australia reported job losses but there was jobs growth in all the other States.
- We expect the unemployment rate to stand at 6.0% in December 2021 and 5.2% in December 2022. We believe the peak in the unemployment rate is now behind us.



The labour market continued its recovery in November with the creation of a further 90.0k jobs. This came after the creation of an upwardly revised 180.4k jobs in October. Of the jobs created in November, 84.2k were full-time and 5.8k were part-time. These are encouraging numbers and suggest that the economy is maintaining its recovery momentum as we head towards 2021.

Apart from a hiccup in September, as Victoria applied the brakes on activity, there has been a steady increase in employment since June. As of November, Australia's level of employment is just 1.1% below its pre-pandemic level in February. That still represent the loss of 143.1k jobs but it is a far cry from the 877.6k jobs lost between February and May.

Victoria has been the major contributor to employment growth in the last two months with the creation of 155.7k jobs since September. The easing of restrictions in Victoria has lifted employment as well as business and consumer confidence.

The unemployment rate dipped in November falling to 6.8% from 7.0% in October. The unemployment rate would have fallen further had it not been for a lift in the participation rate from 65.8% to 66.1%. The participation rate measures the proportion of the working age population that is actively seeking employment.

The rise in the participation rate was fully expected. As the labour market improves, more previously discouraged workers re-enter the workforce. This is a positive trend for the economy, but it also means that still more jobs need to be created to push the unemployment rate down.

Another encouraging element of today's data was the increase in hours worked and the fall in the underemployment rate. In May, hours worked were 9.7% below their February level of 1,764 million. In November, hours worked reached 1,752 million, just 0.7% below their pre-pandemic level. The underemployment rate dropped to single digits in November for the first time since March, falling 0.8 percentage points to 9.4%. Again, the positive momentum is being maintained.

Despite the good news on job growth and unemployment, youth unemployment remains disturbingly high, ticking up from 14.5% in October to 14.6% in November. This was due, in part to a rise in the youth participation rate.

States

Not all States reported jobs growth in November. Queensland reported a decline of 20.4K jobs following a run of five months of consecutive job growth. Over that period, 205.5k jobs were created. Queensland has 25.9k or 1.0% few jobs in November than it did in February, before the pandemic. The unemployment rate in Queensland stood at 7.7% in November, the same rate as in October.

There were also job losses in South Australia (0.9k). These also followed a run of five consecutive months of job growth. Despite the losses, South Australia had an employment level in November above that in February. Its unemployment rate in November fell to 6.2% from 7.0% in October.

While acknowledging the strong job growth in Victoria during October and November, the level of employment is still 1.8% below its February level but gaining rapidly. Further solid job growth is expected in Victoria following its reopening and its stimulatory budget. The unemployment rate in Victoria stands at 7.1%.

NSW (23.8k) saw further jobs growth in November as did Western Australia (11.4k) and Tasmania (2.0k). Their unemployment rates in November were 6.5%, 6.4% and 7.9%, respectively.

Outlook

Policies are in place to lift demand and employment. COVID-19 can be contained and managed with vaccines likely to become available during 2021. There is scope for further easing of social-distancing regulations and our international border seems likely to be reopened in stages. It has been encouraging to see our air border with New Zealand slated for reopening soon provided COVID-19 remains under control.

We expect the unemployment rate to stand at 6.0% in December 2021 and 5.2% in December 2022. We believe the peak in the unemployment rate is now behind us.

Hans Kunnen, Senior Economist
Ph: 02-8254-1316

Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@bankofmelbourne.com.au
(02) 8254 1316

The Detail

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
