

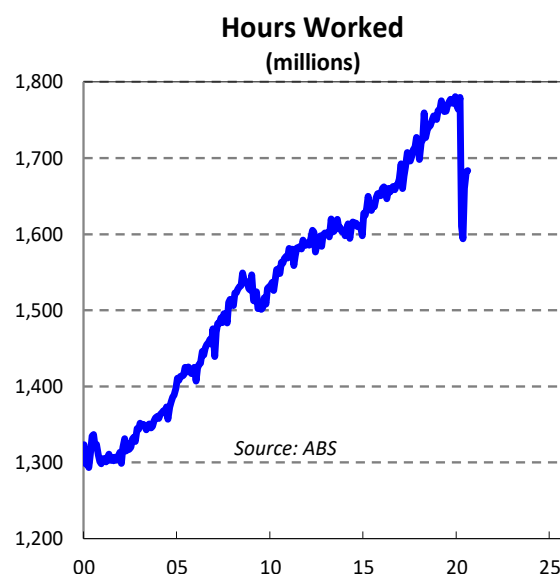
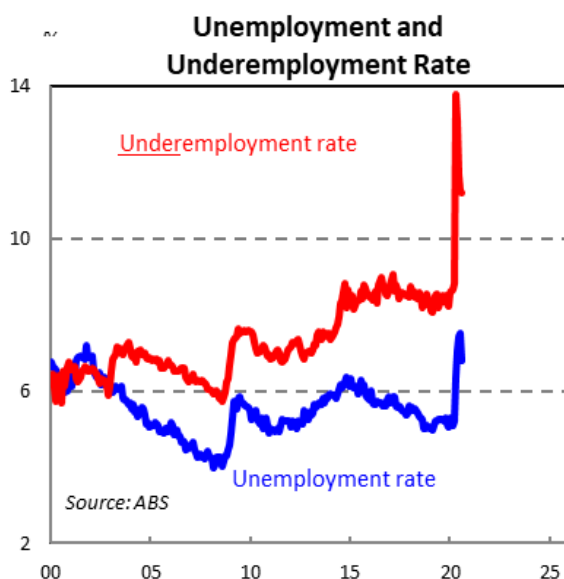
Thursday, 17 September 2020



Labour Force

A Forward Step Along A Winding Road

- There was another bumper month of employment in August as more Australians found work, despite the lockdowns in Victoria. This outcome far exceeded market expectations.
- Employment surged 110k in August, the third largest monthly increase on record, trailing only the increases seen in June and July. Nevertheless, employment remains 421k (or 3.2%) below its February level.
- The unemployment rate declined as more Australians found jobs. There was a 0.7 percentage point decline in the unemployment rate to 6.8%.
- Despite the surge in jobs, hours worked rose just 0.1%. Hours worked across Australia remain 4.6% below the hours worked in February.
- The participation rate edged higher to 64.8% from 64.7% in July. In February, the participation rate stood at 65.9%.
- Underemployment remained steady at 11.2% in August but is down on the peak of 13.8% in April. In February, the underemployment rate stood at 8.8%, itself a disappointing number and now made worse by the pandemic induced recession.
- This was an encouraging set of numbers. Jobs rose, the unemployment rate fell, and hours worked were up. Progress is being made in Victoria and the possibility of border restrictions easing suggests that the labour market can improve in the last few months of the year.



There was another bumper month of employment in August as more Australian's found work. This was despite the lockdown in Victoria. Employment surged 110.0k in August, the third largest monthly increase on record, trailing only the increases seen in June and July.

The increase in jobs far outpaced market expectations (including our own) with forecasts centring on losses of 35k jobs – mainly based on job losses in Victoria. The forecast range for jobs growth this month was -125k to +102k!

There were significant job losses in Victoria, but these were outweighed by job gains in all the other States and Territories.

In line with the jobs growth, the unemployment rate fell to 6.8% in August, from 7.5% in July. This is encouraging as the decline was based on jobs growth rather than movements in the participation rate.

The participation rate was relatively stable during August at 64.8% compared with 64.7% in July. In February, the participation rate stood at 65.9%. Had the participation rate remained static, the unemployment rate would have fallen lower.

While jobs growth and a lower unemployment rate are always welcome, it should be noted that hours worked across Australia rose by 1.6 million hours or 0.1% in August after a 1.3% lift in July and a 4.2% surge in June. According to the Australian Bureau of Statistics (ABS), the average hours worked per employed person was around 30.8 hours per week.

Hours worked in August were 4.6% lower than in February 2020. This is a serious decline but not of the magnitude one might have thought. This a hurtful recession but, rather than being a '90%' economy as touted in the early stages of the pandemic, it looks more like a '95%' economy – and one that is likely to grow as restrictions are gradually eased.

Despite the lift in jobs over the past three months, there are still almost 1 million people unemployed (921,800) across Australia. The number of unemployed persons fell 86,500 in August but this number has increased by 206,200 people since August 2019.

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States and Territories

All States and territories recovered jobs in July, except for Victoria, where employment declined by 42.4k. While the result in Victoria is disappointing, it could have been far worse. JobKeeper appears to have cushioned Victorian job losses.

NSW recorded a solid increase in employment of 51.5k in August, building on the 80.3k jobs added in June and the 56.2k in July. Employment in NSW has recovered 69% of the jobs lost in March, April, and May.

There was, yet again, solid job growth in Western Australia (32.2k), Queensland (18.0k), South Australia (13.4k) and Tasmania (2.3k).

Tasmania is leading in the job recovery stakes with 72% of lost jobs recovered followed by Western Australia at 71%. South Australia tied with NSW at 69%. In Queensland, where the economy has been severely hit by international and state border closures, 43% of jobs have been recovered while Victoria sits at just 22%. These latter number will improve as COVID-19 restrictions are eased.

Unemployment rates across the States are varied. The lowest unemployment rates are in the ACT

and the Northern Territory at 4.2% each. South Australia's unemployment rate remained steady in August at 7.9%. In Queensland, the unemployment rate fell from 8.8% in July to 7.5% in August. Western Australia improved from 8.3% to 7.0%.

Tasmania and Victoria saw their unemployment rates rise in August. Tasmania rose from 6.0% to 6.3% while in Victoria the unemployment rate rose from 6.8% to 7.1%.

Outlook and Implications

The rebound in jobs and hours worked is an encouraging indication that the labour market recovery, that started in June, maintained momentum in July and August. With the Victorian lockdowns likely to be eased in the weeks ahead and more restrictions on movement relaxed, improvement in the labour market can continue.

Looking ahead, adjustments to JobKeeper and JobSeeker will impact employers and employees. There are risks that more jobs could be lost, but this could be counterbalanced by a pick-up in the broader economy.

Monetary policy remains accommodative and the Reserve Bank still has room to move in its support of the economy. The Budget is due in early October and further stimulatory policy is expected.

The 'end-game' for full economic recovery is a resolution to COVID-19. A vaccine would see a stronger recovery. Living with COVID-19 means ongoing social distancing, which holds back economic activity, productivity, and employment.

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