

Thursday, 20 May 2021



Labour Force

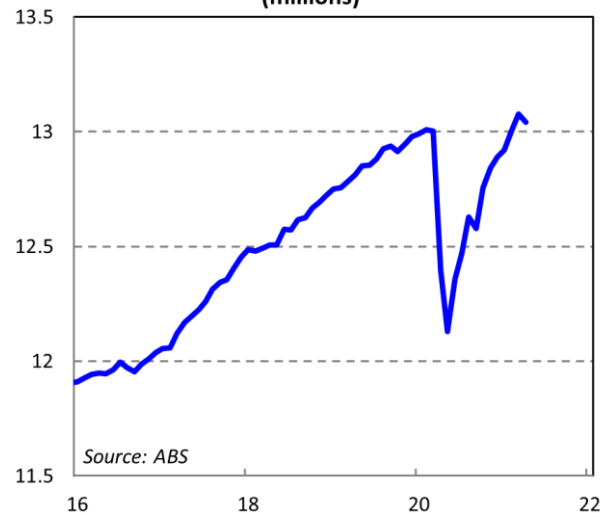
Easter Drives Seasonal Fall in Jobs

- The April labour force data provided us with the first read of the impact on the economy of the expiry of JobKeeper, although the figures were muddled by the Easter holiday period.
- Employment declined by 30.6k jobs in April, the first drop in employment in seven months driven by a 64.4k decline in part-time employment. Full-time employment rose by a solid 33.8k.
- However, the unemployment rate declined to 5.5% in April from 5.7% in March, reflecting a fall in the participation rate to 66.0% from a record-high of 66.3%. This decline could have been associated with Easter and people stopping their search for work over the holiday period. If the participation rate was unchanged, the unemployment rate would have increased to 6.0%.
- The results were mixed across the states. NSW posted the largest fall in employment (34.3k) while South Australia recorded the biggest gain (17.4k).
- So far, there are no clear signs that the expiry of JobKeeper has led to a material deterioration in the labour market. Encouragingly, the number of people working zero or few hours for economic reasons declined in April.
- With leading indicators of employment still surging, we expect we will see more jobs in the coming months. The conclusion of JobKeeper will be, at most, a modest speed bump. Back in early March, we estimated JobKeeper will lead to a loss of 60,000-140,000 jobs and we remain comfortable with this view. We expect the unemployment rate will continue to trend down over the rest of the year to 5.0%.

Unemployment Rate
(per cent)



Employment
(millions)



The labour market has rebounded very strongly over the past year, reflecting Australia's success in containing the pandemic and the massive support packages introduced by the government and Reserve Bank.

There were questions about whether the recovery in the labour market would hit a speed hump following the conclusion of JobKeeper at the end of March.

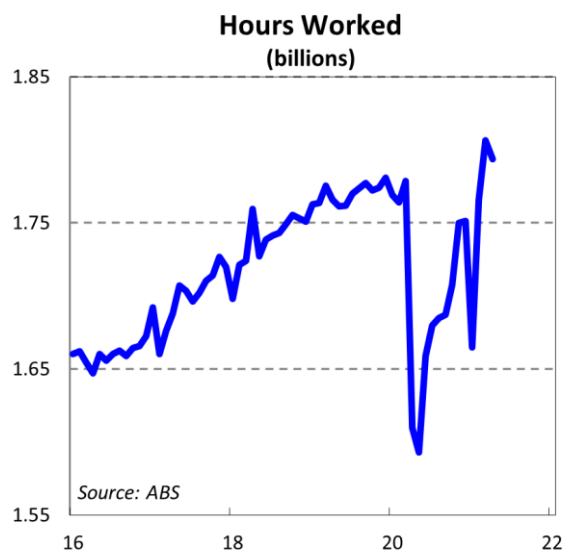
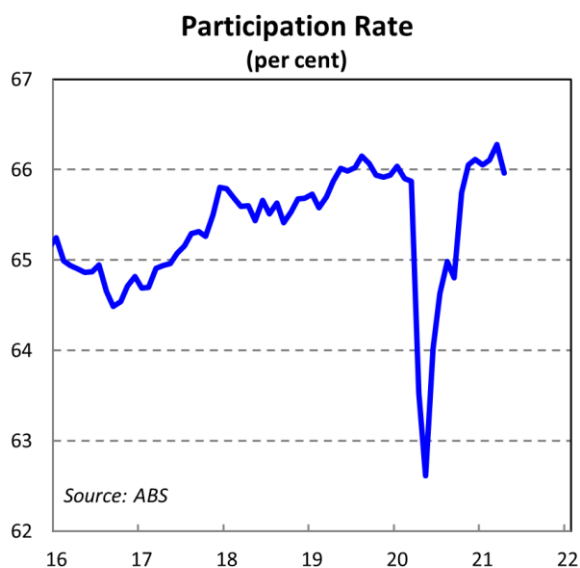
The **unemployment rate** declined to 5.5% in April from 5.7% in March, revised up from 5.6% in the previous release. At a glance, it may appear the labour market has tightened. However, the devil is in the detail.

Employment declined by 30.6k jobs in April, the first drop in employment since September 2020. This result was considerably weaker than consensus forecasts. The fall was underpinned by a 64.4k decline in part-time employment. Full-time employment rose by 33.8k.

So why did the unemployment rate fall? There were less people looking for work in April, which meant the **participation rate** fell to 66.0% from 66.3%. If the participation rate was unchanged, the unemployment rate would have increased to 6.0%. The drop in April may be related to Easter, as people probably stopped their search for work during the holiday period. **Hours worked** also declined by 0.7%, reflecting a larger number of people than usual taking leave over Easter. In other words, seasonal effects have muddied the data.

On the plus side, the unemployment rate declined to 7.8% in April from 8.0% and is now 1 percentage point below its pre-pandemic level.

These complexities also make it more challenging to glean the impact of the end of JobKeeper on the jobs market, although there are no clear signs that it has led to a material deterioration. Back in early March, we estimated JobKeeper will lead to a loss of 60,000-140,000 jobs and we remain comfortable with this view. Encouragingly, the number of people working zero or few hours for economic reasons declined. If there were a sharp deterioration in labour market conditions related to the conclusion of JobKeeper, we would expect the number of people in this category to increase, as people are stood down, or have their hours cut back. The 30.6k fall in jobs could be related to JobKeeper but it also could be associated with month-to-month fluctuations in the labour market and larger-than-usual seasonal changes. We will need to see next month's data to get a clearer picture.



States and Territories

The results were mixed across the states. The largest falls in employment were in NSW (34.3k), Queensland (12.5k) and WA (10.3k). Tasmania (3.4k) also recorded a decline. In contrast, employment was up in South Australia (17.4k), the ACT (4.7k), the Northern Territory (1.3k) and Victoria (1.1k). In year-ended terms, employment growth is strongest in Queensland (7.9%).

Changes in the unemployment rate also varied across states. Tasmania recorded the highest unemployment rate at 6.2% while the lowest was in the ACT at 3.4%.

Outlook

Today's data were clouded by seasonal effects. We will need to see more data to get a sharper picture of the impact of the end of JobKeeper, although so far it doesn't appear to have had a significant affect.

With leading indicators of employment still surging, we expect we will see more jobs in the coming months. The conclusion of JobKeeper will be, at most, a modest speed bump. We expect the unemployment rate will continue to trend down over the rest of the year. However, there is still a sizeable amount of spare capacity to be absorbed and so a significant pick up in wages growth remains some way off.

Matthew Bunny, Economist

Ph: 02-8254-0023

Contact Listing

Chief Economist

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

Economist

Matthew Bunny
matthew.bunny@bankofmelbourne.com.au
(02) 8254 0023

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.
