

Thursday, 21 January 2021



Labour Force Another Step Forward

- In December, 50.0k jobs were created. This follows the creation of 180.4k jobs in October and 90.0k in November. Jobs are being recreated at a solid pace as the economy re-opens in fits and starts. We believe there is more job creation to come in 2021.
- An expanding employment market continues to draw back discouraged workers. The participation rate rose from 66.1% in November to 66.2% in December and the unemployment rate fell to 6.6% from 6.8% in November.
- The level of employment in Australia is still 0.7% below its pre-COVID-19 level in February representing the loss of 93.1k jobs.
- While employment grew 0.4% in December, the number of hours work rose only 0.1%.
- Despite the ongoing good news on job growth and unemployment, youth unemployment remains disturbingly high at 14.0%. This, however, is down on the 14.6% reported in November.
- Victoria and Queensland led the charge in jobs growth, however, NSW and South Australia reported job losses in December. Queensland has the highest unemployment rate among the states at 7.5% while Western Australia has the lowest at 6.2%.
- We expect the unemployment rate to stand at 6.0% in December 2021 and 5.2% in December 2022. The peak in the unemployment rate now appears to be behind us.



The labour market continued its recovery in December with the creation of a further 50.0k jobs. This came after the creation of 180.4k jobs in October and 90.0k in November. Of the jobs created in December, 35.7k were full-time and 14.3k were part-time. These are, once again, encouraging numbers and suggest that the economy is maintaining its recovery momentum as we move into 2021.

The level of employment in December was 93.1k lower than in February 2020, the month before the pandemic was declared. Provided job growth can be maintained, the early months of 2021 should see employment reach its pre-pandemic level.

The unemployment rate fell from 6.8% in November to 6.6% in December. One might have expected the creation of 50k new jobs would lead to a larger decline in unemployment rate. As has happened in previous months, the rise in jobs was counteracted by a rise in the participation rate from 66.1% to 66.2%.

A rising participation rate is a good sign for the economy even if it can slow the decline in the rate of unemployment. The rising participation rate signals, in part, that people are re-joining the labour force in expectation of being able to find work. It is the opposite of the 'discouraged worker' effect that occurs when there is a widespread loss of jobs – as happened in the first half of 2020.

Despite the improvement in the labour market, 912k people remain unemployed. The level of youth unemployment fell from 14.6% in November to 14.0% in December – still disturbingly high.

Despite the solid rise in employment, the rise in the number of hours worked was less impressive. Hours worked rose just 0.1% compared to the 0.4% rise in employment. That said, it was an improvement on November. Hours worked are down 1.5% on December 2019. At their worst, hours worked were down 9.6% in the 12 months to May 2019. The labour market is picking up.

States

Not all states saw jobs growth in December. NSW, which has seen jobs growth in five of the last six months, reported the loss of 17.1k jobs in December. Likewise, South Australia saw the loss of 0.5k jobs in December following a loss of 0.9k in November. Prior to November, South Australia had seen five months of good jobs growth. The declaration of the Northern Beaches region of Sydney as a hotspot did not occur until December 18, too late to have an impact on the December labour force survey.

Victoria reported a third straight month of jobs expansion. As it emerged from lockdowns in early November, the state added jobs, with 74k created in November and a further 14.6k jobs created in December.

Jobs growth rebounded in Queensland with the creation of 36.6k jobs. This followed the loss of 20.4k jobs in November. Since May, Queensland has seen the creation of 221.7k jobs compared to the loss of 211.0k jobs during March, April and May.

Western Australia has seen the creation of 102.1k jobs in the last seven months following the loss of 103.1k jobs during the early stages of the pandemic.

After two months of job losses in September and October, when 4.0k jobs were lost, Tasmania managed to see the creation of 2.8k jobs over November and December.

Unemployment rates across the States are mixed. The highest rate is in Queensland at 7.5% with Western Australia the lowest at 6.2%. The unemployment rate in NSW and South Australia stands at 6.4% and at 6.5% in Victoria. Tasmania's unemployment rate was 7.0% in December, well down

on the 8.2% reported in October 2020.

Outlook

Policies are in place to lift demand and employment. COVID-19 can be contained and managed with vaccines becoming available later this year. There is scope for further easing of social distancing regulations and there is still some possibility that our international border could be reopened, in stages, during 2021.

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.

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