

Labour Force – July 2009

ECONOMIC ALERT

6 August 2009

KEY POINTS

Employment

- National employment rose in July, by 32,200 to 10,793,600 (seasonally adjusted).
- Full-time employment fell again, by 16,000 to 7,590,400 in July (the fifth fall in the past six months).
- Part-time employment rose by 48,200 to 3,203,200 (the highest level in the 30-year history of the time series).
- Annual employment growth recovered from its first negative reading since August 1997 in June, rising from a fall of 0.2% to be stable in July.
- Continuing recent patterns, employers appear to have continued to try to avoid lay-offs by reducing hours and shifts. Full-time employment growth deteriorated from a decline of 1.5% in June to a fall of 2.4% in July. Offsetting this, part-time employment growth rose strongly from 2.9% in June to 6.3% in July.

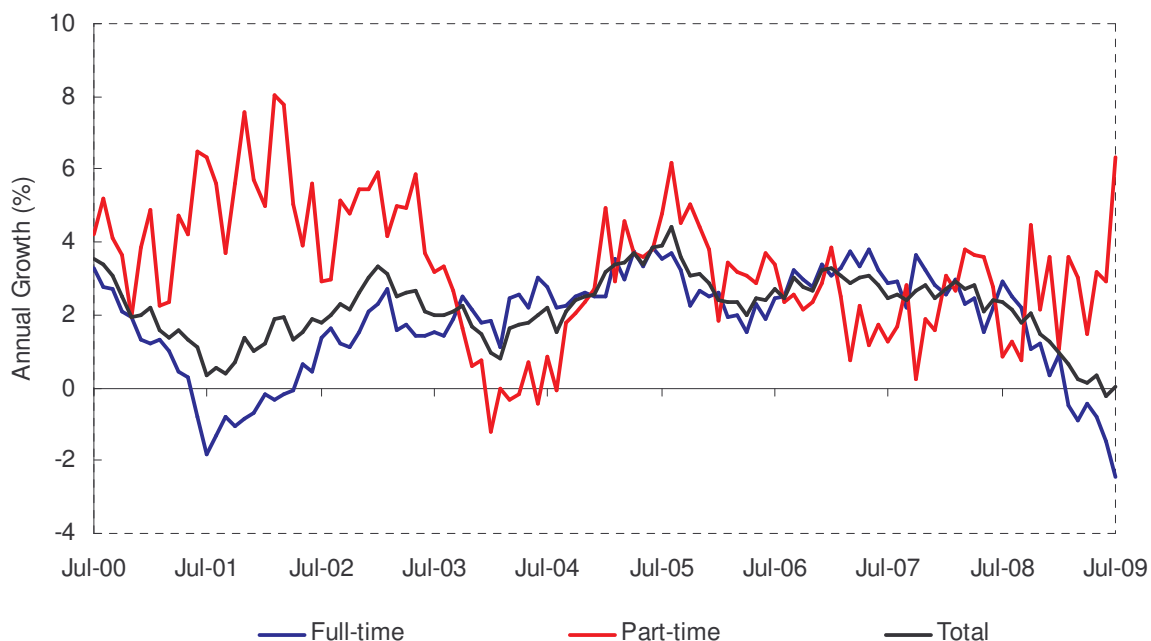
National unemployment rate

- The unemployment rate remained stable at 5.8% (though at its highest level since October 2003), while the participation rate rose slightly by 0.1 percentage points to 65.3%. The unemployment rate came in at less than market expectations of 6.0%.

The states

- Seasonally adjusted, total employment rose in New South Wales (+27,700); Victoria (+12,000); Queensland (+8,500); and Tasmania (+1,200). Employment fell in Western Australia (-11,800) and South Australia (-1,900).
- Unemployment rates ranged from 6.1% in New South Wales; 5.8% in Victoria; 5.8% in Queensland; 5.7% in Western Australia; 5.6% in South Australia; and 4.1% in Tasmania.

Chart: Employment Growth



Labour Force – July 2009

ECONOMIC ALERT

6 August 2009

Policy implications

- While the unemployment rate remains at around 6 year highs, the deterioration in the labour market at this stage remains reasonably mild. This reflects the fact that, in comparison with previous recessions, the contraction in GDP experienced to date has been modest, the policy response has been early and aggressive, and the economy has experienced no wages shock.
- It remains likely however, that unemployment will continue to drift upwards over coming months. This reflects the fact that annual GDP growth has remained below the 3.0% generally accepted as being required to maintain stable unemployment rates, for the past three quarters. The RBA will continue to monitor the upwards drift in unemployment to assess what impact it is having on the nascent recovery in consumer sentiment and spending, but is only likely to respond if the economy deviates significantly away from current forecasts.
- This means that, despite financial markets now pricing in an increase in interest rates during 2009, the RBA is likely to remain on hold until 2010.