

Robust employment growth helps to sustain economic recovery

The November labour force data shows the robustness in the Australian labour market. Employment in the Australian economy increased by 54,600, led by the strong 55,100 rise in full-time employment. Part-time employment declined by only 400. Employment growth reached 0.5% in the month, higher than the 0.3% growth recorded in October. Australia's unemployment rate dropped to 5.2% in November from 5.4% in October.

The strength of recent labour market outcomes underscores the economic recovery in Australia. An annual jobs growth rate of 3.7% in November will help to support the growth in household incomes and sustain the recovery, especially given the significant increase in full-time employment.

The robustness in the labour market suggests that inflationary pressures are likely to pick-up again. The Reserve Bank of Australia is likely to weigh this against the economic uncertainty generated by the European debt crisis as well as the downward pressures on inflation from the strengthening Australian dollar. On balance, most market analysts expect the next interest rate rise to occur around mid-2011.

Chart: Employment Growth and Unemployment Rate in Australia

