

Job market strengthens further

Downward trend in unemployment continued

The August labour force data provides further evidence that the Australian economy is on a firmer footing, as seasonally adjusted **employment rose 0.3% in August**, up from 0.2% in July, and the seasonally adjusted **unemployment rate dropped 0.2 percentage points to 5.1 per cent**.

Rise in full-time employment points to brightening of business outlook

It is encouraging that the rise in employment was driven by an **increase in full-time employment**, up 53,070 people to 7.9 million. This indicates that employers are willing to employ additional staff and that business outlook and confidence has improved. Part-time employment fell by 22,134 people to 3.4 million.

Employment growth in non-resource states picked up speed

Tasmania, Victoria and New South Wales were the strong performers in job creation, suggesting that the pick-up in **domestic demand in Australia is broadening beyond the resource states**. Seasonally adjusted employment growth in Tasmania reached 1.0% in August, a sharp improvement from the 0.4% contraction recorded in July, making it the strongest performer among all the states in August. This is followed by Victoria and New South Wales, where employment growth both hit 0.7%.

Reflecting the strong employment growth in August, Tasmania's seasonally adjusted unemployment rate dropped by 0.6 percentage points to 6.0%. That said Tasmania still has the highest unemployment rate among the states. New South Wales and Queensland were the other states that also experienced declines in the unemployment rate in August. **Western Australia has the lowest unemployment rate** at 4.5%.

Renewed upward pressures on the Australian dollar

Going forward, a sustained tightening of the labour market could lead to stronger wage growth and increased household consumption, putting pressure on the Reserve Bank of Australia to resume raising interest rates to contain inflationary pressures. The market appears to have immediately taken this into account, as the Australian dollar at one time jumped above US92 cents following the release of the August labour force data.

It likely that the Australian labour market would continue to tighten, supported by strong gains in terms of trade and the ensuing income boost. This could lead to higher interest rates, and the **Australian dollar is likely to stay on an appreciating path**. This is especially so since the other major developed economies remain soft and their central banks are likely to keep interest rates low over the near term. This could cause industries that are particularly sensitive to exchange rate fluctuations, such as the manufacturing industry, to lose competitiveness.

Labour Force – August 2010

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Chart: Employment Growth and Unemployment Rate

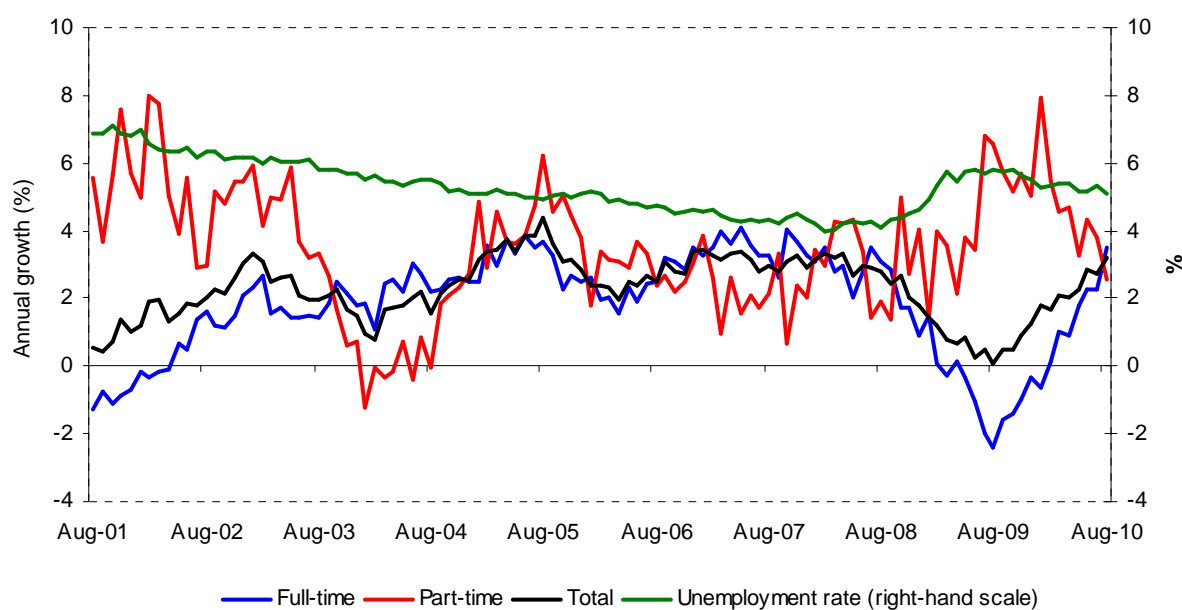


Table 1: Employment Growth (%)

	August	July	Monthly change (% pts)
Australia	0.3	0.2	0.1
NSW	0.7	0.5	0.2
VIC	0.7	0.4	0.3
QLD	-0.5	-0.4	-0.1
SA	0.1	0.5	-0.4
WA	0.0	-0.3	0.3
TAS	1.0	-0.4	1.4

Table 2: Unemployment Rate (%)

	August	July	Monthly change (% pts)
Australia	5.1	5.3	-0.2
NSW	5.0	5.5	-0.5
VIC	5.5	5.5	0.0
QLD	5.4	5.6	-0.2
SA	5.4	5.1	0.3
WA	4.5	4.4	0.1
TAS	6.0	6.6	-0.6