

## Labour market softens

### Unemployment rate rises to 5.1%, as employment growth halts

The Australian labour market softened in July as employers became cautious about employing full-time staff. The seasonally adjusted Australian unemployment rate rose to 5.1% in July from 4.9% in June. Meanwhile, seasonally adjusted employment remained flat in July. Full-time employment dropped by 0.3%, while part-time employment increased by 0.7% in the month. The total number of unemployed persons rose by 3.0% in July.

### Policy implications

Heightened uncertainty in the global economic outlook, together with weakness in non-mining sectors of the Australian economy, has dent business confidence and caused businesses to scale back the hiring of full-time workers.

The weak employment data in July, combined with sluggish retail sales and downbeat consumer confidence, could take the pressure off the Reserve Bank of Australia to lift interest rates in the near term. Furthermore, the high level of underemployment rate in the economy indicates that there remains some slackness in the labour market. The seasonally adjusted Australian underemployment rate for the May quarter of 2011 stood at 7.1%, with the existing level of underemployed persons remaining 186,900 above the pre-global financial crisis level.

**Chart: Employment Growth and Unemployment Rate in Australia**

