

# Labour Force – October 2011

**ECONOMIC ALERT**

10 November 2011

## Employment growth remains soft

The seasonally adjusted Australian unemployment rate dipped to 5.2% in October from 5.3% in September. Meanwhile, seasonally adjusted employment expanded by a mere 0.1% in the month, led by a 0.2% rise in full-time employment. Part-time employment contracted 0.3%, completely reversing the gain in September.

The subdued employment data suggests that employers remain cautious about the business outlook, weighed by heightened uncertainty surrounding the global economic outlook. Compared to a year ago, overall employment growth in October only increased 0.9%. This is the weakest annual growth rate in employment since November 2009.

## Policy implications

Heightened uncertainty in the global economic outlook, together with weakness in non-mining sectors of the Australian economy, has dented business confidence and caused businesses to curtail hiring.

The soft employment data in October together with a weaker global economy provides further room for the Reserve Bank of Australia (RBA) to lower interest rates in the near term, offering some temporary relief to Australian businesses, especially those in the manufacturing, retail and tourism sectors.

Another reason for the RBA to lower interest rates in the near term is the fact that the underemployment rate in the economy remains high, indicating that there remains some slackness in the labour market. The seasonally adjusted Australian underemployment rate for the August quarter of 2011 stood at 7%, only 0.3 percentage points below the level recorded a year ago. The level of underemployed persons remains 170,500 above the pre-global financial crisis level.

## Chart: Employment Growth and Unemployment Rate in Australia

