

Labour Force – January 2012

ECONOMIC ALERT

16 February 2012

Unemployment rate dips

The seasonally adjusted Australian unemployment rate fell slightly to 5.1% in January, down from 5.2% in December. Meanwhile, seasonally adjusted employment expanded 0.4% in the month, primarily led by a 1% increase in part-time employment. Full-time employment increased 0.2%.

The unemployment rate in New South Wales fell 0.4 percentage points to 5.2%, the most significant decline in the unemployment rate among the States. Meanwhile the unemployment rate in Tasmania jumped to 7%, up from 6.3% in the preceding month. The unemployment rates in Victoria, Queensland and Western Australia remained unchanged.

The dip in the Australian unemployment rate in January does not necessarily indicate a turnaround of the recent softness witnessed in the labour market. Businesses remain very cautious of the business outlook, evident from the recent spate of announced job cuts. The outlook of the Australian labour market is likely to be weighed by heightened uncertainty in the global economic outlook as well as the potential for a renewed downturn in the US and Eurozone economies to lower economic growth in Australia.

The marginally stronger labour market data in January is unlikely to spur the Reserve Bank of Australia (RBA) to commence a series of interest rate increases, as significant downside risks to the global economy remain. Another reason for the RBA to not raise 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 November quarter of 2011 stood at 7.3%. The level of underemployed persons remains 177,700 above the pre-global financial crisis level.

Chart: Employment growth in Australia

