

Labour Force – December 2011

ECONOMIC ALERT

19 January 2012

Employment growth weakens further

The seasonally adjusted Australian unemployment rate remained at 5.2% for the third consecutive month in December. Meanwhile, seasonally adjusted employment contracted 0.3% in the month, led by a 1.6% decline in part-time employment. Full-time employment increased 0.3%.

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 in December remained flat.

Policy implications

In light of the 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, businesses have become increasingly cautious of the business outlook, evident from the recent subdued employment data.

The weaker employment data in recent months, together with the increased likelihood of a renewed global economic downturn, 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 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 and Unemployment Rate in Australia

