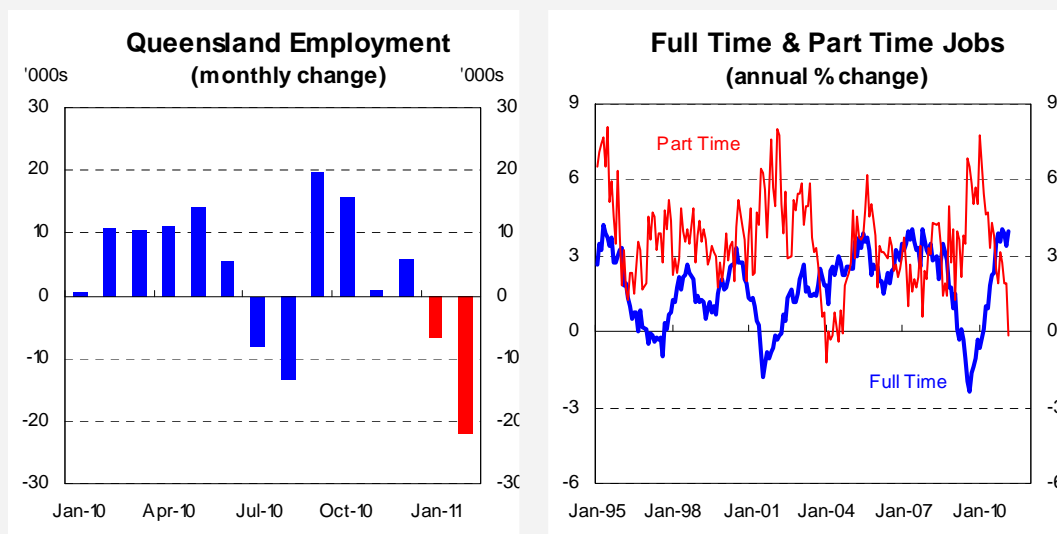


DATA SNAPSHOT

Labour Force – A Tale of Two Stories?

Thursday, 10 March 2011

- It appeared a tale of two stories in the February data. Full-time jobs surged by 47.6k in February but part-time jobs fell by 57.7k – the biggest monthly decline in more than 2 years. But the strong growth in hours worked suggests that some of the decline in part-time jobs may simply be a result of some part-time employees now being classified as full-time.
- The sharp drop in part-time employment dragged overall employment lower in February. Total jobs fell by 10.1k in February, only the first fall recorded since August 2009. The national unemployment rate remained steady at 5.0%, suggesting the labour market remains tight.
- The floods hurt jobs in February. Queensland employment crumbled 22.2k in February, the biggest monthly fall on record (since the data began in February 1978).
- In our view, employment should continue to grow at a reasonably healthy rate over 2011. Further, an unemployment rate with a 4 in front remains in sight this year, keeping pressure on the Reserve Bank to raise rates again.



It appeared to be a tale of two stories in the labour force February data; full-time jobs recorded strong gains but a sharp drop in jobs occurred in part-time employment. Full-time jobs are more stable by nature; therefore it gives us greater confidence about the health of the labour market. Further, the strong growth in hours worked suggests that some of the decline in part-time jobs may also simply be a result of some part-time employees now being classified as full-time.

Full-time jobs grew by 47.6k in February and by 4% in the year to February. A faster annual rate has not been recorded since October 2007. Part-time jobs fell by 57.7k in the month, the biggest monthly fall since January 2009. Part-time jobs on a year ago contracted by 0.1%, which is the first monthly percentage contraction since August 2004.

Over the last six months, 139.7k net new jobs have been added to the full-time employment market. But a net 7.9k jobs have been lost in the part-time market.

The overall employment figures revealed a loss of 10.1k jobs in February, dragged lower by the loss in part-time jobs. In January, jobs growth was revised to 7.7k from 24.0k reported previously by the Bureau of Statistics.

The unemployment rate stayed steady at 5%, helped by a decline in the number of people looking for jobs. The participation rate fell by 0.2 percentage points to 65.7%.

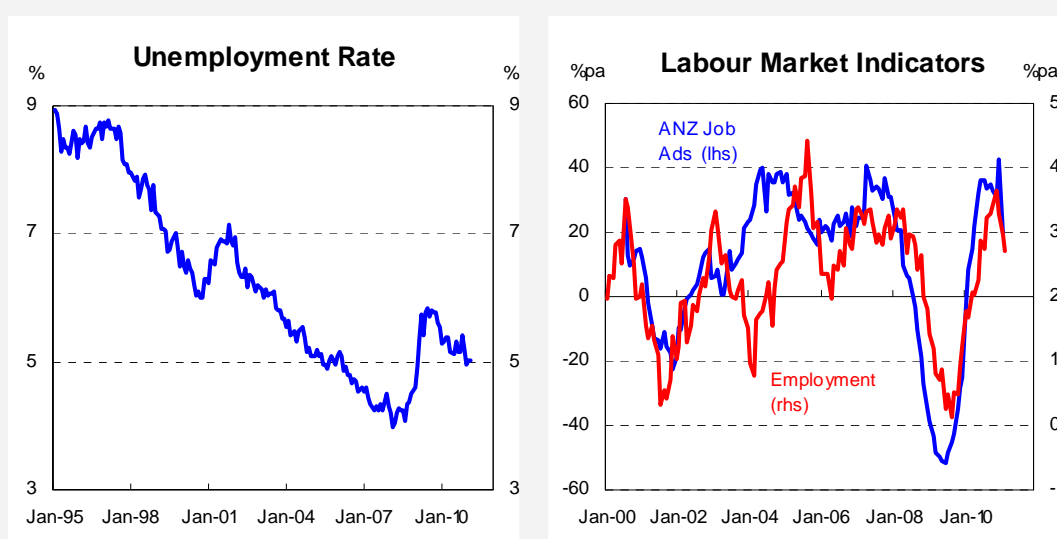
An unemployment rate of 5% reflects a labour market that remains tight. It is near the 'natural' rate of unemployment, suggesting that the Reserve Bank will be monitoring wage developments closely.

An alternative measure of the health of the labour market is aggregate monthly hours worked. In February, this measure grew by 1.1%, the fastest monthly rate in six months. On a year ago, this measure grew at a robust rate of 2.3%. Yet another measure is the labour underutilisation rate. It fell to 11.9% in February, the lowest rate since August 2008.

All three measures are indicating a tight labour market, which reflects underlying momentum in the Australian economy.

Outlook:

The underlying trend in forward-looking indicators of employment, such as job advertisements, suggests we can still expect jobs growth of around 20,000 per month on average over the next few months. This pace of jobs growth will continue to place downward pressure on the unemployment rate. Indeed, we expect that a 4 in front of the unemployment rate remains in sight this year, keeping pressure on the Reserve Bank to raise rates again.



States:

Across the States, employment crumbled in Queensland. The effect of the floods likely contributed to the poor jobs outcome in February. Jobs in Queensland dropped by 22.2k, the largest monthly drop on record (since the series goes back to February 1978). Over January and February, jobs have fallen by 28.8k in Queensland. The job market should recover in Queensland when reconstruction is in full swing.

The participation rate also dropped 0.7 percentage points to 67.0% in February – it is the biggest decline since October 2006 and the lowest level of participation since January 2008.

The decline in the participation rate helped offset the sharp drop in jobs, such that the unemployment rate stayed unchanged in Queensland in the month at 5.6%.

Across other States it was a mixed picture. A big winner was NSW; 22.4k new jobs were added in this State in February and the unemployment rate fell from 4.9% to 4.8%. It is the third straight month running that NSW has an unemployment rate under 5%.

WA also has an unemployment rate below 5%. The unemployment rate fell from 4.6% in January to 4.2% in February in WA but jobs did weaken by 10.6k. It was the largest monthly jobs decline since July 2009 but a fall in the participation rate (from 68.5% to 67.5%) produced the fall in the unemployment rate.

Victoria and Tasmania also recorded falls in jobs in February, of 0.2k and 0.5k, respectively. South Australia joined NSW in recording job gains in the month but only 0.3k jobs were added in the Festival State.

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