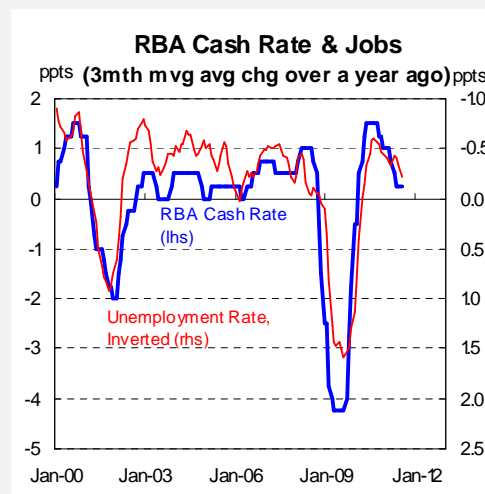
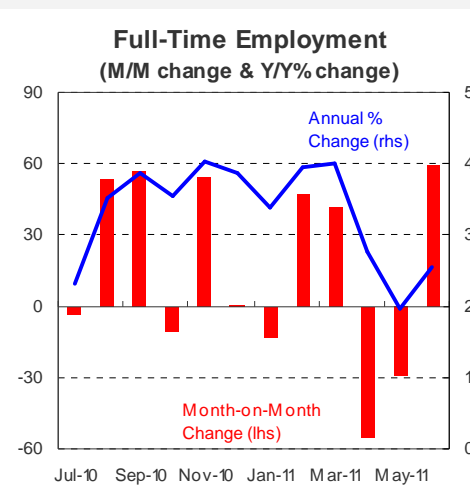


DATA SNAPSHOT

Labour Force – Unemployment Rate Drifts Higher

11 August 2011

- In the past six months, the jobs market has been extremely volatile. However, the underlying trend still appears to be one of slowing in jobs growth. The unemployment rate of 5.1% is the highest in eight months and total jobs growth of 1.7% is the slowest since February 2010.
- Leading indicators of jobs, such as job advertisements and business surveys, are also pointing to slower jobs growth. So there is a risk that the unemployment rate drifts a little higher over the next few months. However, the labour market is still relatively tight. The unemployment rate is below the long-run average of 5.3%
- Prior to the market turmoil, our view was for rates to remain steady for the remainder of this year. The weakening domestic data combined with greater downside risks to the global economy shortens the odds that the next move in rates is a cut.



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However, the labour market is still relatively tight. The unemployment rate of 5.1% is below the long-run average of 5.3% and aggregate hours worked are growing at the fastest pace in four months of 2.6%.

The slowing in jobs was widely anticipated because the hectic pace of employment gains in the second half of last year was not sustainable over a prolonged period of time. Employment growth averaged 3.3% over the second half of last year compared with the long-run average of 2.3% and the current jobs growth of 1.7%.

The volatility from month-to-month between full-time and part-time jobs has continued. Full-time jobs fell by 22,200 in July, after a jump of 51,100 in June. Meanwhile, part-time employment expanded by 22,100 in July, after shedding 32,900 jobs in June.

Due to the volatility between full-time and part-time jobs, it is worth examining the net jobs gains year-to-date. In full-time, 23,800 jobs have been created since January and in part-time, net jobs growth has been 17,600.

Looking across the States, NSW recovered 19.8k jobs in July after very weak job growth in recent months. However, net jobs in NSW are still down 7.2k this year but annual jobs growth is still at a solid pace of 2.0%.

Jobs in Victoria declined 20.6k, more than reversing a 19.9k gain in June but Victoria has the highest rate of annual jobs growth at 2.4% amongst the States.

Meanwhile, Queensland jobs growth remains sluggish and is still struggling after the floods and cyclones. Jobs rose by just 0.8k in July and the unemployment rate lifted to 5.6% a 5-month high. It is the highest unemployment rate among the States.

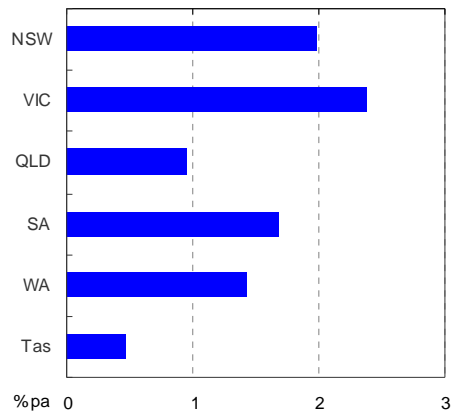
WA's unemployment rate edged 2ppts lower to 4.0% the lowest in 13 months, despite losing 1.5k jobs in July. WA has the tightest labour market and has the lowest unemployment rate amongst all States.

In other States, SA lost 1.7k jobs while TAS gained 1.7k jobs.

Unemployment Rate By State



Employment Growth By State



Outlook for the Cash Rate:

Prior to the market turmoil, our view was for rates to remain steady for the remainder of this year. The weakening domestic data combined with greater downside risks to the global economy shortens the odd for a rate cut this year. But we still do not expect 100bp of rate cuts, which is what inter-bank cash rate futures are pricing by the end of the year.

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