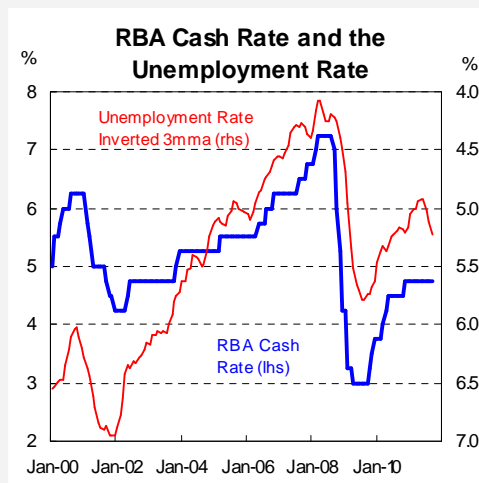
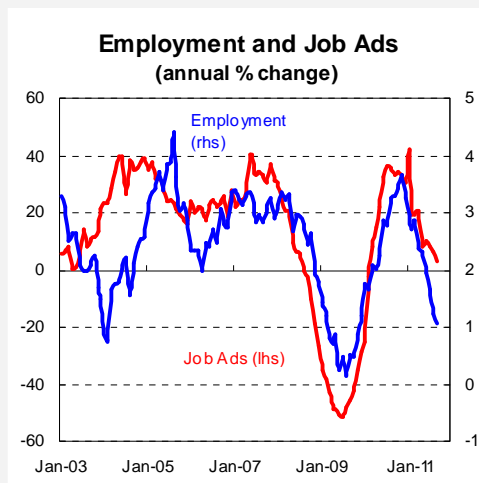


DATA SNAPSHOT

Labour Force – Making a Comeback

Thursday, 13 October 2011

- Jobs made a comeback after declining 15.0k over July and August. Employment rose by a stronger than expected 20.4k in September. The gain saw the unemployment rate tick back down from 5.3% to 5.2%.
- Despite today's solid result, jobs growth so far this year has been lacklustre. In 2011 so far, only 41.1k jobs have been added, and the annual pace of jobs growth in September has slowed to 1.1%, the weakest since November 2009.
- We have previously flagged that the recent slowdown in jobs growth this year has been greater than what we anticipated. Leading indicators of jobs, such as job advertisements suggest that the slowdown showing up in the official data might have been overdone. These same indicators point to a moderate pace of job growth ahead.
- While overall growth in jobs remains subdued, labour market conditions did not deteriorate further in September. The unemployment rate at 5.2% is low, and continues to point to a tight labour market. Further, other partial data released recently such as retail sales, building approvals and confidence have improved. We cannot fully rule out a rate cut in coming months, but we continue to hold the view the RBA will likely continue to sit pat for the remainder of the year.



Employment rose 20.4k in September, higher than our forecast for a 15k gain (consensus 10k). The gain saw the unemployment rate tick back down from 5.3% to 5.2%, and more than offset a 15.0k net job loss over July and August. Some rebound in jobs was expected, after two consecutive monthly declines.

Looking through the volatility, jobs growth so far this year has been lacklustre. In 2011 so far, only 41.1k jobs have been added, and the annual pace of jobs growth in September has slowed to 1.1%, the weakest since November 2009.

We have previously flagged that the recent slowdown in jobs growth this year has been greater than what we anticipated. Leading indicators of jobs, such as job advertisements suggest that the jobs slowdown showing up in the official data might have been overdone. These same indicators point to a moderate pace of job growth ahead. (see chart above). However, we continue to expect job gains to be softer than the strong pace that was seen last year.

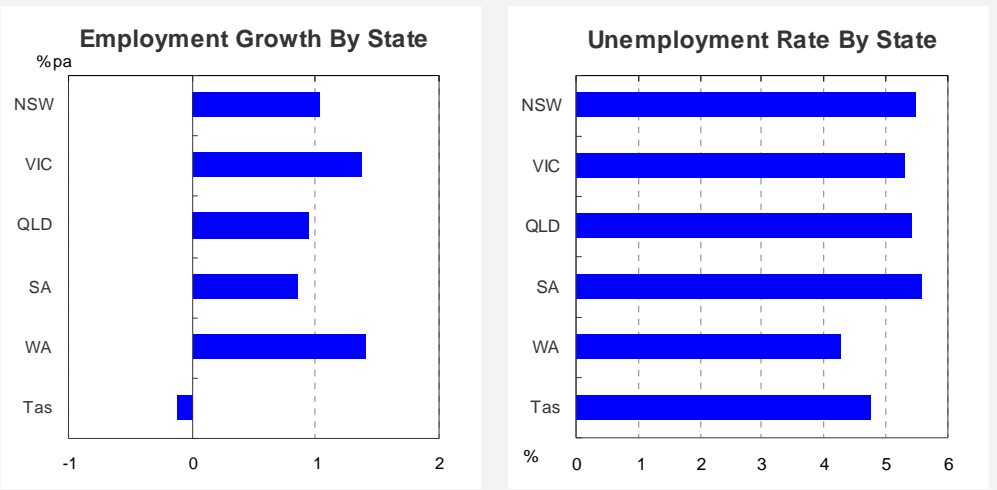
The breakdown was roughly evenly split between full-time and part-time jobs. Full-time jobs gained 10.8k while part-time jobs rose by 9.6k. Over 2011 so far, the part-time jobs gains have risen by 29.3k exceeding the net full-time jobs created of 11.8k.

Aggregate hours worked declined 0.6% in September, but follows four consecutive months of gains. On an annual basis, they slowed to 1.3% over the year to September, from 2.1% previously.

Looking across the States, job gains in September were largest in the resource States WA and QLD, rising by 7.3k and 3.4k respectively. This saw unemployment rates in both States decline. QLD unemployment rate fell sharply from 6.3% to 5.4%, and likely reflects a pick up in economic activity over Q2. Meanwhile WA's unemployment rate fell to 4.3% and remains the lowest in the country.

The slowdown in jobs continues to be more pronounced in NSW, where 1.3k jobs were lost in September and the unemployment rate edged up to 5.5%, the highest since July 2010. NSW has lost 6.6k jobs this year so far. Victoria managed to post a 3.4k monthly rise but its unemployment rate etched 0.1 percentage points higher to 5.3%. These two States saw strong annual growth last year (NSW peaking at 4.1% in November 2010 and VIC at 4.4% in August 2010) and have seen annual employment growth slow to 1.0% for NSW and 1.4% for Victoria.

Among other States, SA saw a 0.9k rise and the unemployment rate edge up to 5.6% while Tasmania saw a 0.4k decline and the unemployment rate down to 4.7%.



Outlook for the Cash Rate:

While overall growth in jobs remains subdued, labour market conditions did not deteriorate further in September. The unemployment rate at 5.2% is low, and continues to point to a tight labour market. Further, other partial data released recently such as retail sales, building approvals and confidence have improved. We cannot fully rule out a rate cut in coming months, but we continue to hold the view the RBA will likely continue to sit pat for the remainder of the year. The inflation report to be released on 26 October, and how developments unfold from Europe, however, will be watched closely.

Janu Chan, Economist
(02) 9320-5892

Contact Listing

Chief Economist	Besa Deda	dedab@stgeorge.com.au	(02) 9320 5854
Senior Economist	Josephine Heffernan	heffernanj@stgeorge.com.au	(02) 9320 5751
Economist	Janu Chan	chanj@stgeorge.com.au	(02) 9320 5892
State Manager SA	Mark Goldsmith	Goldsmithm@banksa.com.au	(08) 8424 5597

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. St. George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorised use or dissemination is prohibited.

Neither BankSA - A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
