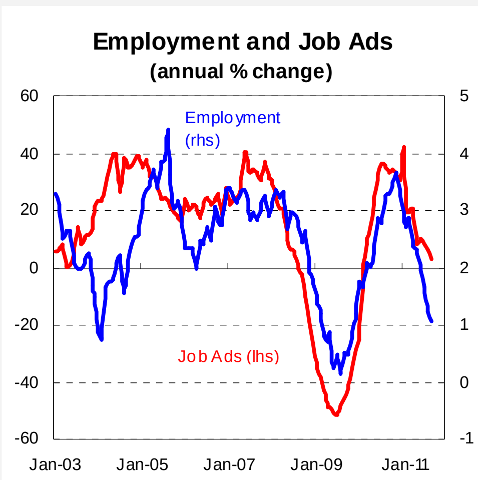
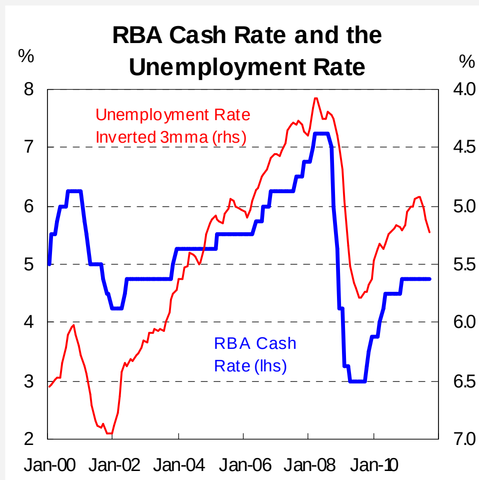
# DATA SNAPSHOT

## 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.**

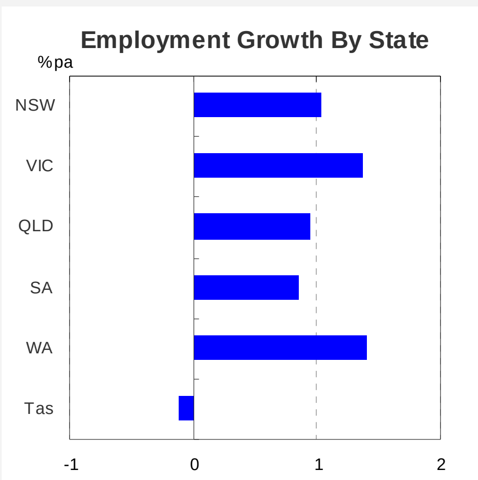
The breakdown was roughly evenly split between full-time and part-time jobs. Full-time jobs gained 10.8k while part-time jobs rose by 9.6k. Over 2011 so far, the part-time jobs gains have risen by 29.3k exceeding the net full-time jobs created of 11.8k.

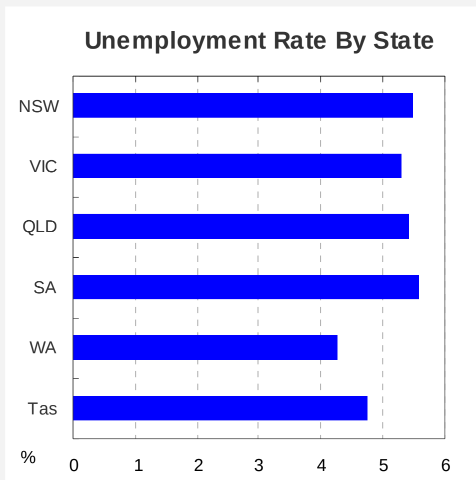
Aggregate hours worked declined 0.6% in September, but follows four consecutive months of gains. On an annual basis, they slowed to 1.3% over the year to September, from 2.1% previously.

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.

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