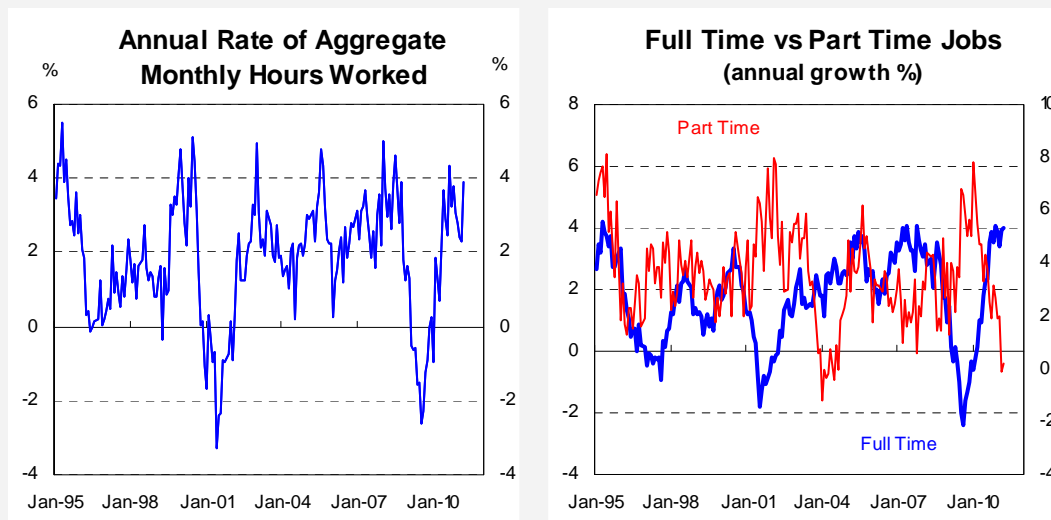


# DATA SNAPSHOT

## Labour Force – Full Time Jobs Shift To Fifth Gear

7 April 2011

- Full-time jobs growth has shifted to fifth gear, underscoring the underlying tightness of the labour market. Full-time jobs jumped 32.1k in March and have risen 70.9k in the March quarter. Full-time jobs grew at an annual rate of 4% in March where a faster rate has not been recorded in nearly 3½ years.
- Part-time jobs recorded a modest gain of 5.7k in March, after a huge fall in February. The trend in part-time employment remains weak, but it may be somewhat misleading. There is strong growth in aggregate hours worked, suggesting that some of the weakness in part-time employment may be due to some part-time employees being re-classified as full time.
- The impact of the floods is still washing through the data. Jobs in Queensland lifted by 11.9k in March, after losses of nearly 30k over the January-to-February period.
- The unemployment rate fell to 4.9% in March with total employment up 37.8k. Leading indicators of employment suggest that the unemployment rate will hover at these relatively low levels in coming months. It will keep the Reserve Bank ready to tap on the brakes again later this year. We still expect the Reserve Bank to resume tightening in Q3 but there remains a risk of an earlier move.



The employment market is tight by most measures of employment. The stable component of employment is full-time employment. Full-time jobs growth has moved to fifth gear. Full-time jobs jumped 32.1k in March and has risen 70.9k in the March quarter. It compares to net job gains of 45.4k in the December quarter of 2010. Full-time jobs grew at an annual rate of 4% in March where a faster rate has not been recorded since October 2007.

Part-time jobs recorded a modest gain of 5.7k in March, after a huge fall of 59k in February (the biggest fall in more than two years). The annual growth rate of part-time employment is just 0.2%. In March 2010, the annual rate stood at 4.7%. The trend in part-time employment remains weak, but the headline rate may be misleading. There is strong growth in aggregate hours worked. It suggests that some of the weakness in part-time employment may be due to some part-time employees being re-classified as full time.

Total employment rose by 37.8k in March, after an upwardly revised decline of 8.6k in February (originally reported as a decline of 10.1k). In the March quarter, job gains totalled 43.7k compared with job gains of 86.1k in the December quarter of 2010. Total employment growth is being dampened by the relative weakness in part-time employment.

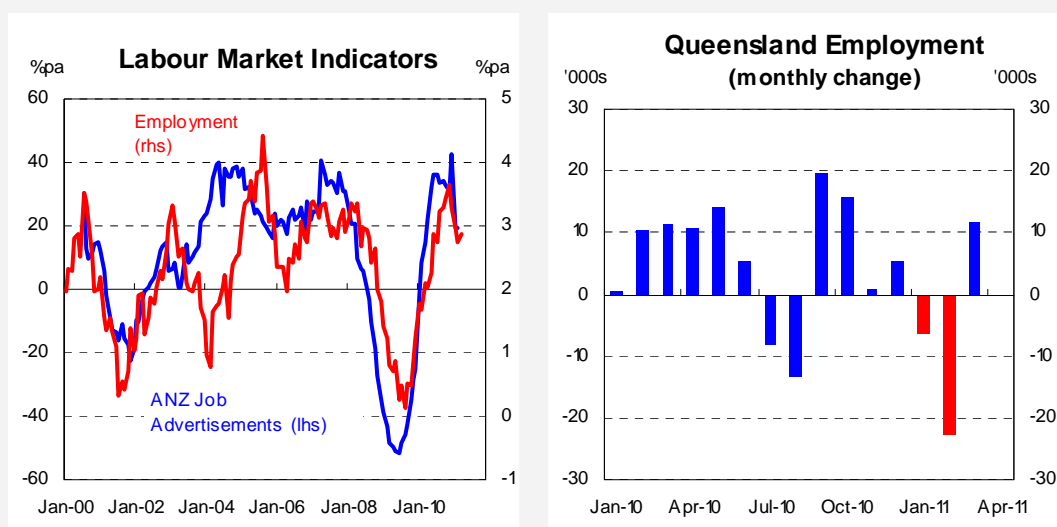
The unemployment rate fell from 5.0% to 4.9% in March. It is at or near the 'natural' rate of unemployment, suggesting that the Reserve Bank (RBA) will be monitoring wage developments closely. With the unemployment rate where it is, the spectre of wage inflation remains a threat.

An alternative measure of the health of the labour market is aggregate monthly hours worked. In March, this measure grew by 0.8% and on a year ago accelerated to 3.9%. The annual rate is the fastest pace in seven months.

#### Outlook for Jobs and Cash Rate:

The underlying trend in forward-looking indicators of employment, such as job advertisements, suggests we can still expect jobs growth of at least around 20,000 per month on average over the next few months. This pace of jobs growth will continue to see the unemployment rate hover near current low levels in coming months.

Different measures of employment are highlighting the tightness of the labour market. The more stable full-time employment series is growing strongly; the unemployment rate is low and at or near the natural rate of unemployment; and the aggregate hours worked by employees is expanding. The RBA will then be readying itself to tap on the brakes again later this year. We still expect the RBA to resume tightening in Q3 but there remains a risk of an earlier move.



#### States:

The impact of the floods is still washing through the data. Jobs in Queensland lifted by 11.9k in March, after losses of nearly 30k over the January-to-February period.

All States recorded net job gains with the exception of NSW. Jobs fell by 7.5k in NSW in March, but it follows a strong gain of 22.3k in February. The unemployment rate pushed up in NSW from 4.8% to 5.1%. Across the remaining States, net jobs gains amounted to 12.9k in WA, 7.5k in SA, 6.5k in Victoria and +0.7k in Tasmania.

The unemployment rates across the States were 4.2% in WA, 4.5% in Victoria (the lowest since October 2008), 5.1% in NSW, 5.4% in SA, 5.5% in QLD and 5.6% in Tasmania.

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