

Another strong Australian labour report

Australia's June labour report was even better than expected.



Source: istock

+15,000

Headline employment

Relatively modest but conceals very positive results

Better than expected

The figures

The headline figure belies a very positive mix between full time employment, surging ahead by 62,000, and part time employment, which fell by 48,000.

Even the slight tick up in the unemployment rate to 5.6% from 5.5% was for 'the right reasons', as the labour force rose by 27,000, raising the participation rate to 6.5%, but in the process, raising the numbers of those unemployed by 13,000 to 728,000.

Possible affect on rates

In the coming months, these unemployed individuals will likely find work, but what happens to the

unemployment rate will be a horse-race between employment creation, and the flows back into the labour force of those currently inactive. This is only happening because expectations for jobs growth and possibly even wages growth are good. We won't get new wages data until August, and it has been soft. Any signs of a pick-up could radically change the markets expectation that the Reserve Bank of Australia (RBA) will be on hold until 1Q18.

Implied policy rates could well begin to nudge higher again in the coming weeks. It is not inconceivable that the market may begin to question whether a 4Q17 hike will become plausible if the data continues to run like this.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.