

Australia: Another decent labour report

Rising full-time employment and a falling unemployment rate don't suggest the economy is quite as weak as recent GDP figures suggest



Australia jobs

Source: Shutterstock

39,700

Increase in total employment

41,700 of which full-time

Higher than expected

Employment up, unemployment down

Financial markets have given up much hope of rate cuts in Australia this year, so today's decent labour report won't have caused too much of a stir.

Total employment in May rose by 39,700. This was more than the 30,000 expected, and slightly stronger than the 37,400 increase in April.

Unlike April's number, all of the employment in May came from full-time jobs. These provide not only better wages but better perks and are, as a result, more positive for consumer sentiment. Earlier in the day, we also got CBA household spending data, which unwound April's weakness and bounced back by 1.0% MoM.

The unemployment rate also fell, to 4.0% from 4.1%, helped by a 9,200 decline in the number of unemployed.

What's the trend?

It is probably not entirely fair to assess the state of the economy on the basis of one of the most volatile and unpredictable pieces of data that Australia produces. There also isn't all that much science behind most of the consensus figures. This is wet-finger forecasting most of the time, so beating consensus means comparatively little.

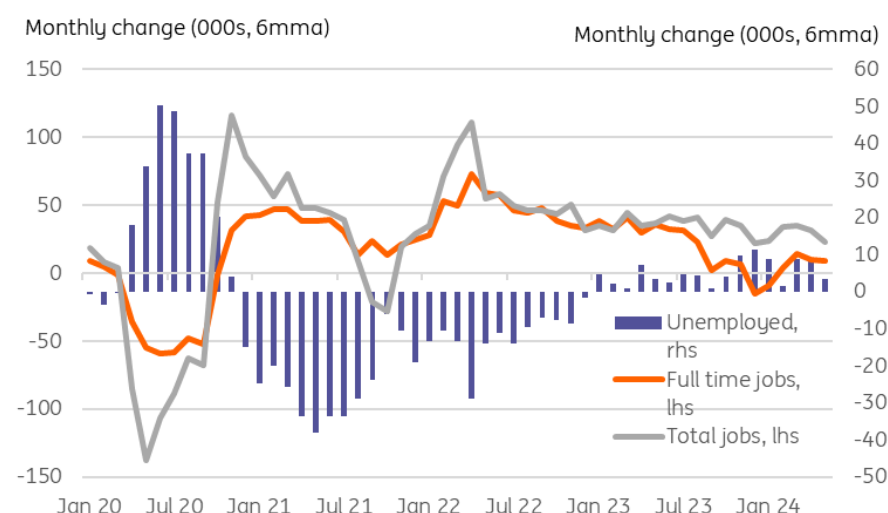
To get a better view on what is really going on, the chart below looks at the three-month averages for employment and unemployment.

What this shows is that in the fourth quarter of 2023, the number of unemployed was trending higher, and full time job creation ground to a halt, and only part-time job growth kept total employment moving higher.

Now, trend unemployment is still rising, but at a much slower pace, and though the full-time job growth trend has dropped a little, it is still running at around 10,000 per month, though part-time job growth has slowed a little more.

In short, having hit a soft-patch at the end of 2023, the Australian labour market is currently ticking along at a modest pace. It wouldn't take a lot to tip it into a weaker trajectory, but equally, there is also some potential for upside and the net picture is more positive than negative.

Australian employment and unemployment trends (3mma)



The market reaction to today's household spending and labour data was muted. The AUD showed a moment of appreciation around the time of the release of the labour data, but that soon passed. Labour data may not be quite the market-mover it once was. There seems to be some deviation between what real economy data is telling us in Australia, and what is happening to inflation. So for a bigger market response, we will need to see some more inflation data.

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