

Australia: Mixed news from the labour front

Higher-than-forecast employment looks good, but the nature of that employment is questionable, and the unemployment rate has jumped higher - on balance, this looks slightly weaker than it first appears



Australia jobs

Source: Shutterstock

38,500 Employment growth
1 month change

Higher than expected

On the one hand....

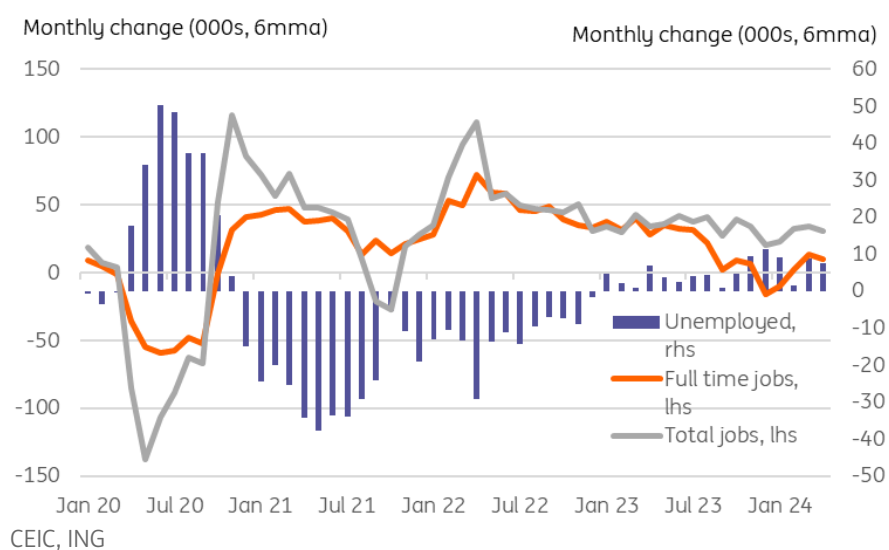
Employment growth of 38,500 was stronger than the consensus expectation for 23,700 job gains in April. But the good news ends there. Full-time jobs with their higher wages and other benefits fell by 6,100 and there was a small downward revision to the previous month's gains. Part-time employment growth made up all of the increase in the headline figure.

There was also a bigger-than-usual increase in the number of unemployed. Total unemployment rose by just over thirty-thousand in April. This was less than the increase in the labour force but

was enough to push up the unemployment rate from an upward revised 3.9% to 4.1%, helped higher also by some convenient rounding (4.054% to 3dp). Labour participation rose to 66.7% from 66.6%, which equates to a 68,800 increase in those employed or looking for work. This is about double the 6-month average and points to a still fast-growing pool of available labour in search of a dwindling supply of quality jobs. It is early days yet, and this data is very choppy so reading anything much into a single month's data is extremely risky.

As a case in point, when looking at 6-month moving averages (see chart below), today's data really hasn't moved the needle regarding employment growth or the change in the number of unemployed.

Monthly employment and unemployment changes (6mma)



RBA need more than this to deliver any cuts

As far as this affects Reserve Bank (RBA) rate policy, today's release is probably only of marginal relevance. Any softening in the labour data is still fairly speculative at this point, though the wage price data earlier in the week were a help if they really are pointing to a peak in wage growth. We will need to see a lot more than this if we want to see rate cut expectations for this year increase. And the inflation data so far isn't providing enough support. The outlook for RBA rates this year remains cloudy. A year-end cut is still possible, but only if this labour data softens more meaningfully than this and the inflation run-rate drops significantly, and soon.

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 <http://www.ing.com>.