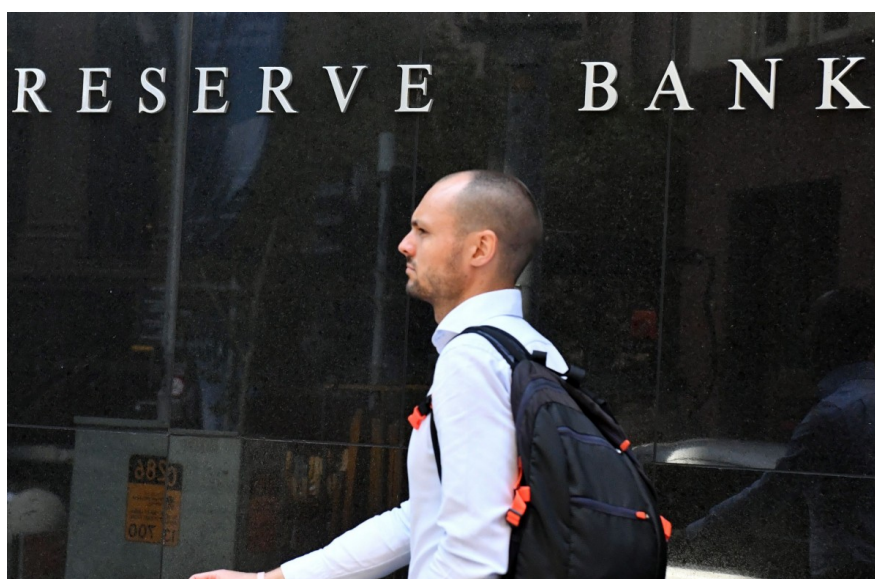


## Australia: New all-time low for unemployment rate

Unemployment rate falling to new all-time low heaps pressure on the Reserve Bank of Australia (RBA) to "go large" with upcoming rate hikes



# 3.5%

Unemployment rate

Lowest ever

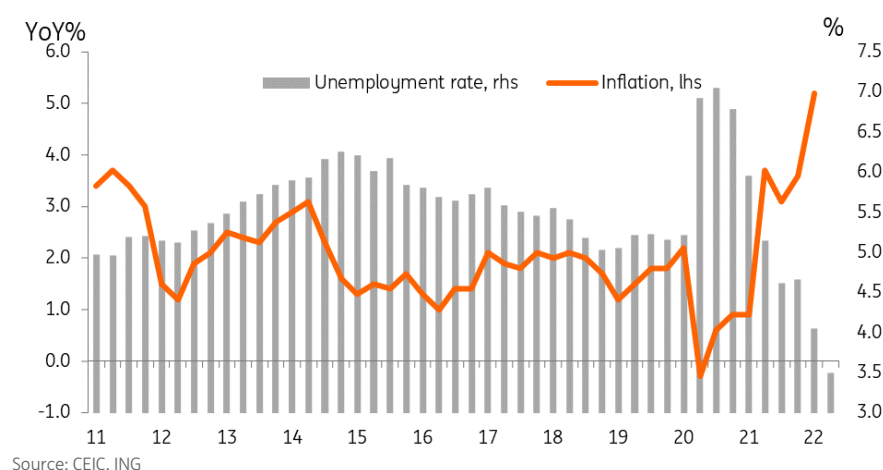
Lower than expected

### Labour inputs an important determinant for RBA policy

[In the accompanying statement to its 5 July Monetary policy meeting](#), the RBA noted that "...The size and timing of future interest rate increases will be guided by the incoming data and the Board's assessment of the outlook for inflation and the labour market".

2Q22 inflation is due on 27 July, but in the meantime, this latest labour data suggests that the RBA will not be able to drop back to the 25bp hikes it started this cycle with, and may even have to consider hikes above 50bp.

## Unemployment and inflation



### Lower unemployment, higher employment, wages to follow

A drop in the unemployment rate was expected this month, but not of the magnitude recorded. The previous all-time low was 3.8%, so a drop to 3.5% really does look quite alarmingly tight.

On the employment side of the report, the gains were also higher than expected. An 88,400 gain in employment was mainly (52,900) driven by full-time jobs, which implies a greater impact on disposable incomes than part-time jobs (p-t jobs rose 35,500). But part-time jobs often convert to full-time jobs, so we certainly are not ruling out their relevance for the outlook for wages growth and inflation.

The fall in the number of unemployed mirrors the gain in full-time jobs, falling by 54,300. And the labour force actually rose by 34,100, so there is no way we can put this result down to quirky drops in the denominator of the unemployment rate (numbers of unemployed as a percentage of the labour force).

### Last rate decision was a choice between 25bp and 50bp...

The last rate decision by the RBA was a straight choice between a 25bp hike and a 50bp hike. They chose 50bp. But ahead of the forthcoming inflation figures, and with thoughts turning to a full percentage-point hike by the Federal Reserve later this month, the next meeting might well be a choice between 50bp and 75bp.

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