

Australia: Strong headline employment growth, weak details

Another strong headline employment growth figure looks considerably weaker when de-composed. However, given the volatility in this data, it is too soon to start drawing any conclusions about what this means for Reserve Bank policy



47,500

Higher than expected

Total employment change

From previous month

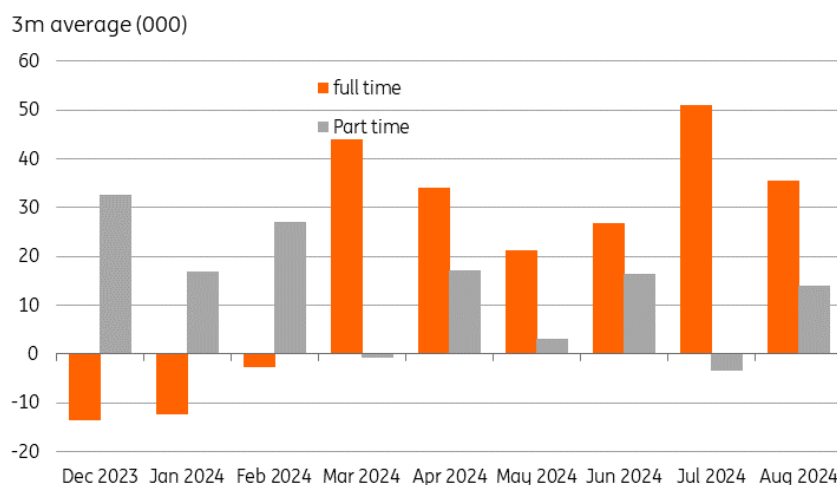
The devil is in the detail

Another employment growth figure of close to 50,000 (47,500) in August should dispel thoughts of imminent easing from the Reserve Bank of Australia (RBA). Until recently, there was an odd kink in the implied cash rate curve at the September meeting, indicating that some investors still believed the RBA would follow the Fed lower this month. This has now disappeared.

Still, for the doves, this latest labour report contains some suggestions of weakness that they may want to cling to.

Despite the strong headline employment growth number, the increase all came from the part-time sector. These jobs, which are almost by definition more poorly paid, and often come with lower job security, perks and other benefits, will have a smaller impact, job-for-job, on household spending than full-time employment growth. Full-time jobs actually fell by 3,100 in August. While part-time jobs grew by 50,600.

Full-time and part-time employment growth (monthly change, 3mma)



It's way too early to draw any firm conclusions

It would be wrong to get too carried away by this month's data. This is an extremely volatile set of figures, and we prefer to draw our conclusions only from trends, such as the 3-month moving averages shown in the chart above.

When examined in this way, we can see that the trend of employment growth is still being driven by full-time jobs, although the pace of full-time employment growth does seem to be waning slightly. At this stage, we are not drawing any inferences from the numbers, and we doubt the RBA is either.

We had also thought that this month may show a slight increase in the unemployment rate to 4.3% from 4.2%. In the end, it remained at 4.2%. Labour force growth slowed slightly to 37,000 in August from 75,400 in July but remains robust. But the number of unemployed declined by 10,500, which shows that the labour market remains reasonably firm. Again, a small monthly decline in the number of unemployed is not remarkable. We had a similar fall in May and in February this year. It does not herald a dramatic shift in the labour market. That said, this month's unemployment rate figures came perilously close to being rounded down to 4.1%, and that may have caused a bigger market reaction if it had happened. It's certainly something to watch out for next month.

Market response was positive, but muted

The immediate market response to today's data was a positive one - though fairly muted. The AUD had been trading weaker going into the data but jumped slightly following the release. 2Y Australian government bond yields likewise rose from about 3.62% to 3.66%. 10Y Australian government bonds rose about the same from about 3.91% to 3.94%.

We remain of the view that the RBA will not be following the Fed anytime soon and that easing is going to be a 2025 story with a first RBA cash rate cut tentatively forecast for the first quarter of that year and a total of 100bp of cuts priced in this cycle. If anything, we feel that the risks to even

these forecasts are that the RBA may start easing later, and by less in total for 2025.

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>.