

Australia: Very strong May Labour report

Following Governor Lowe's cautious message earlier today, the May labour report shows that there may also be scenarios where rates need to increase as early as 2023.



115,200

Employment gains

May 2021

Higher than expected

Unambiguously strong May labour report

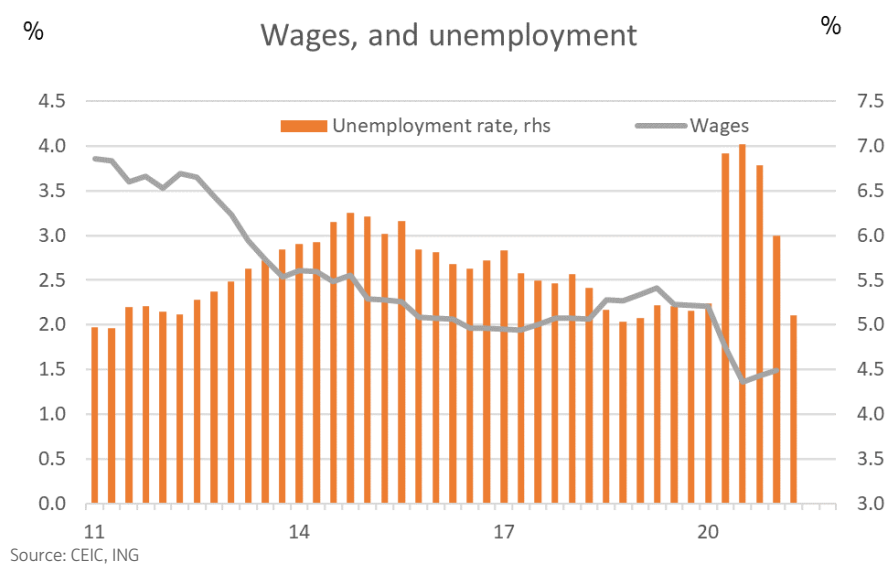
With a consensus ranging from -20K to +60K, it is safe to say that no one came close to the 115.2K gain in employment just released for May. The report was very strong on all counts. By far the bulk of the gains were in full-time employment, which rose 97.5K. Part-time employment was up only 17.7K from the prior month. There was also a big fall in the unemployment rate, which is now down to only 5.1% - it was expected to remain unchanged at 5.5%. This big drop comes despite a sizeable jump in the labour force participation rate, which would usually make big declines in the unemployment rate harder to achieve.

Fears that the end of the JobKeeper support scheme (introduced during the early stages of the pandemic, ending 31 March this year) would spell a sharp slowdown in employment growth appear to have been unfounded.

What's missing from the picture still, on a day when Governor Lowe talked about scenarios where rates might be raised in 2024 in a speech in Toowoomba, is any indication of stronger wage pressure. The next quarterly wage price index for 2Q21 is not released until 18 August, so we may need to look elsewhere for any wage pressure signs.

But with the US Fed now openly predicting not just one rate hike in 2023, but two, it is possible that we also see the guidance from the RBA edge in this direction in the coming months. And any anecdotes of rising wages growth in the meantime could see markets front-run any such guidance.

Australian Unemployment rate and wages growth



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