

## 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

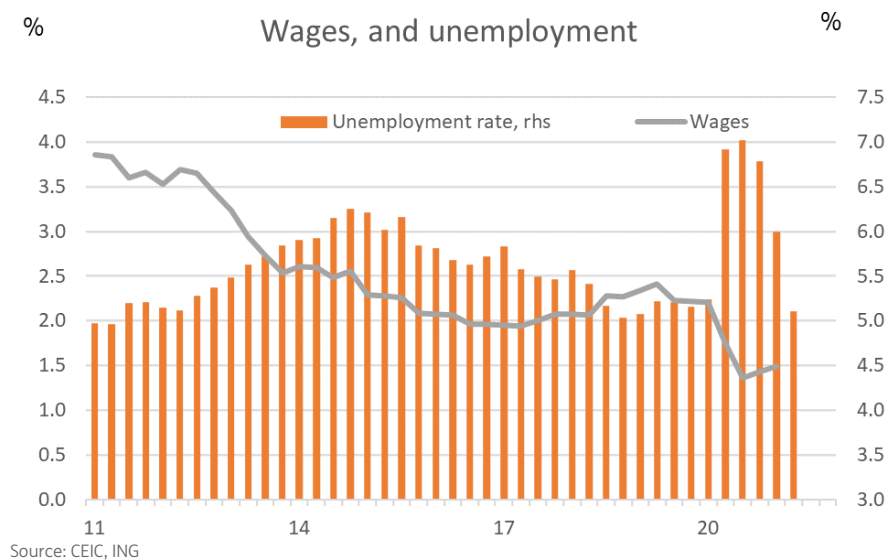
With a consensus ranging from -20K to +60K, it is safe to say that no one came close to the 115.2K gain in employment just released for May. The report was very strong on all counts. By far the bulk of the gains were in full-time employment, which rose 97.5K. Part-time employment was up only 17.7K from 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



### Author

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto: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>.