

Australian jobs data very strong

After their recent dovish tilt, the Reserve Bank of Australia (RBA) may find the exceptionally strong jobs data for January a bit awkward. They certainly don't help the case for a rate cut, or a weaker AUD.



Source: Shutterstock

39.1K Employment change
January

Higher than expected

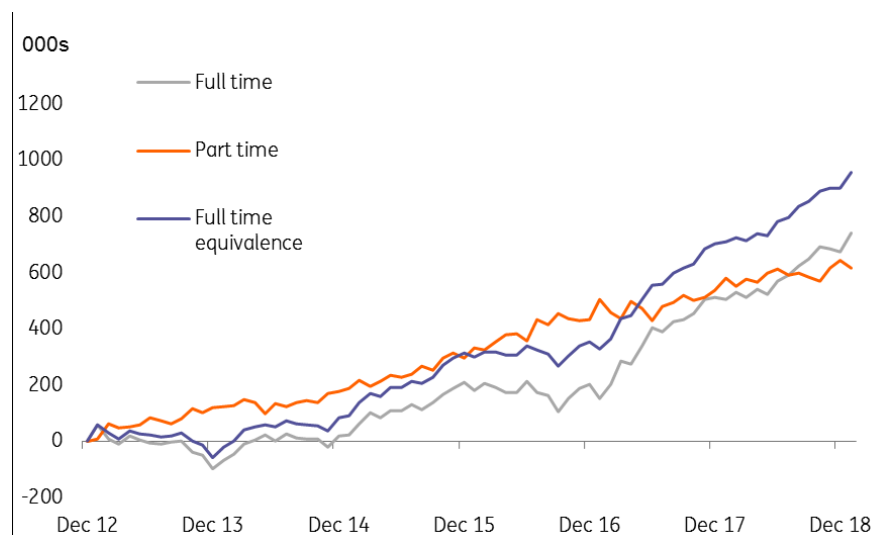
There's nothing wrong with the Australian labour market

There may be pockets of weakness in the Australian economy - business investment, regional property markets...but there doesn't seem to be any problem with the Australian labour market.

Full-time employment growth of 65,400 in January more than offsets December's revised 9,500 decline, for an average rate running at a healthy 25-30K full-time jobs a month. Falling part-time jobs are not a worry either if these are converting to full-time jobs, which they probably are. And the rise in the participation rate suggests that people are encouraged by their job prospects, and

making themselves available for work (other interpretations are possible, but we are taking the positive view). The rising participation rate is one reason the unemployment rate remains stuck at 5.0%. But rather than fixate on this, the employment figures alone tell 90% of the story.

Cumulative Australian jobs growth (2012 = 0)



Any areas of concern?

If we try our best to find some clouds in this seemingly excellent data, one observation would be that the job gains are very regionally concentrated, with 47.2K job gains in New South Wales. Victoria saw almost no change (+2,000) and Queensland, which has seen good jobs growth based on its LNG export boom, saw some recent gains reversed (-19.9K in January) with South and Western Australia also seeing employment falls. So what looks a strong story is perhaps not being enjoyed in all parts of the country. That provides some cover for the RBA's recent dovish tilt.

One other slight discrepancy is that despite the strong gains in employment, there wasn't much improvement in unemployment, with the total number of unemployed actually rising a little. We don't see this as a big deal, and mainly a response to the rising participation rates. But it would be nice to see the numbers of unemployed falling in the coming months to support the upbeat interpretation of this data.

As far as the RBA is concerned, though, the most obvious conclusion from this data is that rates are not going anywhere, up or down, anytime soon.

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