

## Australia: labour market progress stalls but doesn't yet reverse

As Australia started to go back into lockdown in July, recent progress in the labour market stalled but has not yet reversed. The continued decline in the unemployment rate was something we had thought likely but is all about labour participation. August will likely see more obvious weakening as lockdowns widen and intensify



**2.2** Employment change (000s)  
July

Better than expected

### Not as bad as feared - but August likely to be worse

As parts of Australia went back into lockdown in July, there was a strong consensus that the recent progress made in the labour market would go into reverse, if only temporarily. The forecasting community was looking for a 43 thousand decline in the numbers of employed in July,

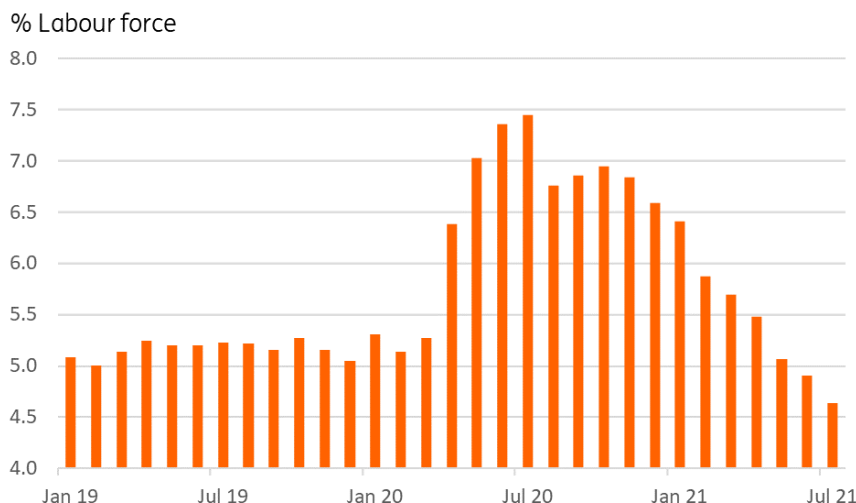
more than reversing the 29 thousand gains in June. It didn't happen.

Instead, total employment rose by 2.2 thousand. We can put some of this down to a decent performance by the part-time sector, where employment actually rose over the month by 6.4 thousand. But even full-time jobs only showed a decline of 4.2 thousand, a lot less than implied by the consensus numbers even if they lacked a breakdown by employment type.

Far less surprising (in our view) was the continued decline in the unemployment rate. We felt prior to the release that a declining labour participation rate might well propel the unemployment rate lower even with falling numbers of employment, and that is exactly what happened. Though we will concede that the extent of the decline was bigger than we had anticipated. The unemployment rate now stands at 4.6%, down from 4.9% in June, and an apparently better outcome than the rise to 5.0% that was expected.

The labour participation rate fell to 66.0% (from 66.2%), which was forecast, though as a result, you'd have thought the unemployment forecast would have been a bit more accurate.

## Australian unemployment rate (% labour force)



Source: CEIC

## August will be worse

This labour report was considerably less bad than was anticipated and may provide some temporary relief in the AUD which has looked very heavy recently, But as lockdowns across Australia in August have become more widespread and their severity increased, this is probably going to be only a temporary reprieve before a more obvious reversal when the next labour release is printed.

As for the labour market for September and beyond, that hinges on the government's plans to vaccinate more of the population, how effective this is at preventing the spread of the virus, and whether at higher vaccination levels, the government alters its reaction function in terms of lockdowns if vaccines blunt the severity of the illness and take pressure off the health system. That's a lot of moving parts to forecast.

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