

## Australian unemployment rate falls to 4.9%

In the past, a 4.9% unemployment rate might have been considered close to full employment. But this no longer holds true and the RBA may only be comfortable that it has got unemployment low enough once wages show clear signs of rising



**4.9%** Unemployment rate  
June

Lower than expected

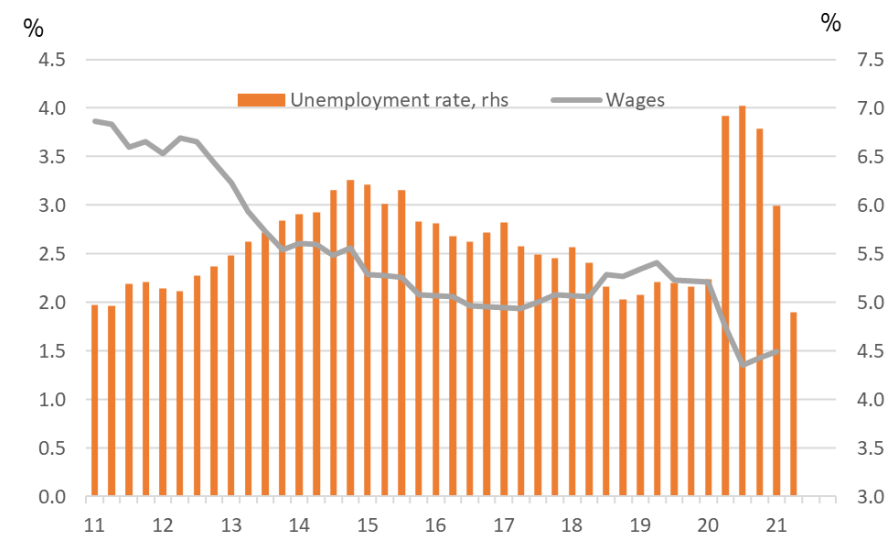
### June labour report solid, not spectacular

After the eye-popping May labour report, it is not surprising or alarming to see the June figures settle down to something a bit lower, and this was still a very solid and encouraging report.

The main highlight, as ever, was the headline 29.1 thousand increase in total employment. This

breaks down into a robust 51.6 thousand gains in full-time employment, and a 22.5 thousand decline in part-time jobs. This may well indicate conversion of part-time jobs into full-time jobs, which is a healthy development and is one of the reasons why we tend to look at such figures in terms of "full-time equivalents" (FTE), where we attribute 3 part-time jobs to every full-time job to create a rough metric for overall labour market gains. Doing this would result in a 44.1 thousand gain in our FTE measure of employment, which sounds a little stronger than the headline total suggests.

## Unemployment rate and wages growth



Source: CEIC

## Unemployment at 4.9% - nearing on full-employment?

These job gains, together with a solid 17 thousand decline in the numbers of unemployed, even when considered against a 12.4 thousand increase in the labour force (another positive signal), translate into a drop in the unemployment rate. This fell from 5.1% to 4.9% in June.

There was once a time when the RBA might have considered anything below 5% as equivalent to full employment and thought about tightening rates. That view no longer applies. Where exactly full employment lies remains a mystery. We may see policymakers becoming a little more cautious as the unemployment rate approaches 4.0%. But the RBA Governor has on occasion hinted that full employment may lie even lower than this and may start with a 3...

What seems clear is that monetary policy is not going to be materially shifted until there is some sign that the unemployment rate has fallen sufficiently to start pushing up wages. Effectively, that is when full employment is getting close - wherever that is. Furthermore, rising wages is seen as a desirable outcome of policy, not something that needs quickly snuffing out.

The next CPI release for 2Q21 is due on 28 July. The 2Q21 wage price index is not due until 18 August, after the next RBA meeting on 3 August. So today's figures suggest good progress continues to be made with the economy and the labour market, but it has few immediate implications for monetary policy or the AUD which we see remaining very accommodative for some time to come.

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