

## Australian unemployment rate rises and employment falls

October's labour market release looks unremittingly bleak. But with re-opening now underway and lockdowns being rolled back, we should see employment bounce quickly back in the coming months, though it may take a month or more for the unemployment rate to turn tail and start heading down again



# -46,300

Fall in total employment

October

Worse than expected

### Uniformly bad, but probably temporary

Australia's October labour report was unreservedly negative, with the 46,300 decline in total employment mainly accounted for by falling full-time jobs (-40,400), and a surge in the

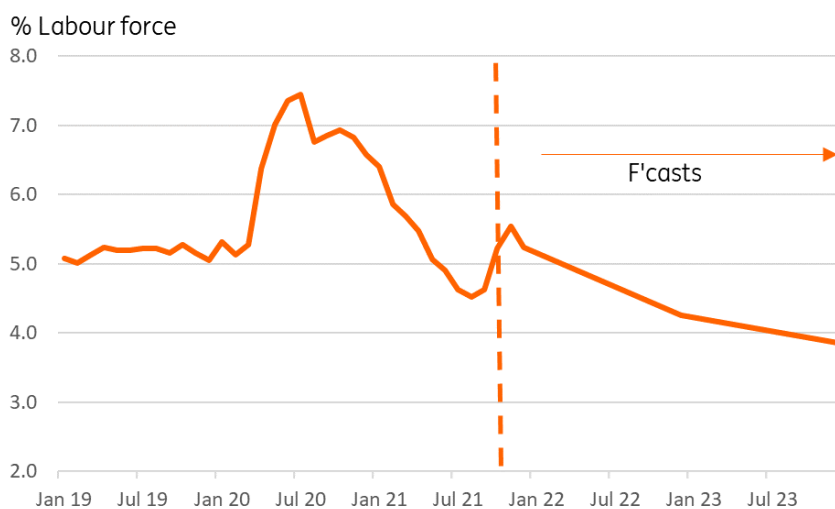
unemployment rate from 4.6% to 5.2% rubs salt into the wound.

But while the RBA, which has been struggling to get its dovish message heard by a much more hawkish market, may see vindication in these softer figures, we don't think the story will stay this way for long.

For one thing, Australia's employment numbers are almost certainly still reflective of earlier lockdowns. With vaccination rates in NSW and Victoria, the two biggest states passing 80%, the roadmap to re-opening is now underway and we should see employment numbers surge in the coming months as layoffs return to work.

We have already seen some evidence of this in today's employment report, as the prospect of re-opening encouraged more people to start actively looking for work ahead of the flagged re-opening, pushing up the numbers of "unemployed" and consequently, the unemployment rate. We should see further unemployment rate rises in November from the same source, but the tide should then turn as these job-seekers find work and we should then quickly resume the path towards lower unemployment rates.

## Australian unemployment rate and forecasts



Source: CEIC, ING

## Inflation worries for Australia too

And the day after the US announced its worst CPI inflation figures for more than 30 years, the Australian inflation picture may also not be as benign as the RBA asserts. Consumer inflation expectations for November published by the Melbourne Institute, have shot up to 4.6%YoY, marking the third month in excess of 4.0%. The unanchoring of inflation expectations is usually something that concerns central banks, and more dovish commentary from the RBA is unlikely to put the inflation expectations genie back in the bottle. This will need a change in tack to a more hawkish stance.

Admittedly, market expectations for multiple rate hikes next year looks much too punchy to us. But equally, the RBA assertion that liftoff won't come before 2024 is also equally hard to swallow. Having looked for a first rate-hike in 1Q23, we will have to soon start considering whether this may in fact come at the end of 2022, given that the US Fed will probably have delivered several hikes by

then. It is certainly looking that way.

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