

## 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

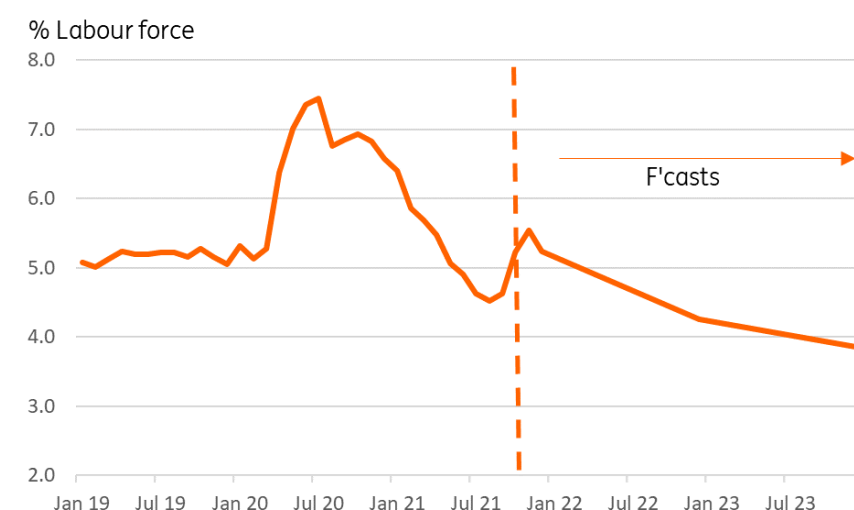
unemployment rate from 4.6% to 5.2% rubs salt into the wound.

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.

## 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>.