

## Australia's employment falls a further 227,700 in May

A worse fall in employment, a bigger rise in the unemployment rate and fall in the participation rate should all hopefully start to unwind next month



# 7.1%

Unemployment rate

May 2020

Higher than expected

### It looks bad, because it is bad

There aren't many bright spots in the May employment report. Even the April figures were revised to show a bigger fall in employment (-607,400 from an initial -594,300). May's figures included an 89,100 fall in full-time employment and a 138,600 fall in part-time employment.

The overall fall in employment of 227,700 was much worse than expected, but it is at least a

slowdown from April. Unemployment rose 86,000 to 928,000 and took the unemployment rate to 7.1%, its highest since October 2001, when it reached 7.2%. The rise in the unemployment rate was further helped by a drop in the labour force participation rate to 62.9% from 63.6%. That suggests many unemployed becoming disaffected with their chances and drifting out of the labour force. Some may not return when the economy revives.

The size of the figures also highlights the difficult job that all governments, not just that of Australia, have in providing an offset to the impacts of lockdowns. Australia's JobKeeper payment scheme is designed to help protect the most vulnerable jobs during this crisis, but clearly, despite the large sums involved (AUD130bn over 6 months), it has been swamped by the collapse in demand the lockdowns have delivered. And JobKeeper goes further than a lot of other similar schemes around the world.

## Hope for June turnaround

With lockdowns being eased in some states in May and this continuing in June, in particular with respect to retail opportunities, we would be hopeful that next month might start to see some of these job losses being reversed.

However, this is probably going to be a very cautious process, and the third phase of easing will not take place in most states until July, so we may see any job gains limited in size, and concentrated in lower-paying part-time work, probably in retail sectors.

With the RBA pledging to keep rates at least as low as they are now (official cash rate is 25bp), any increase in rates this year is out of the question, and indeed tightening next year is looking quite improbable too now.

RBA Governor Lowe has suggested that the RBA would not embark down a negative rate route, and we believe he will stick to this. But he might want to casually suggest he has not ruled it out, to help the economy along with a bit of AUD weakness. The AUD still sits above 0.6850. We expect it to return to 0.67 by the end of this quarter before resuming its appreciation path.

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