

Australia's unemployment rate unchanged in May

Rising employment and falling unemployment coupled with growing wage pressures and global central bank rate hike acceleration means the Reserve Bank of Australia will need to be bold in coming meetings



Source: istock

3.9%

Unemployment rate

Still an all-time low

Higher than expected

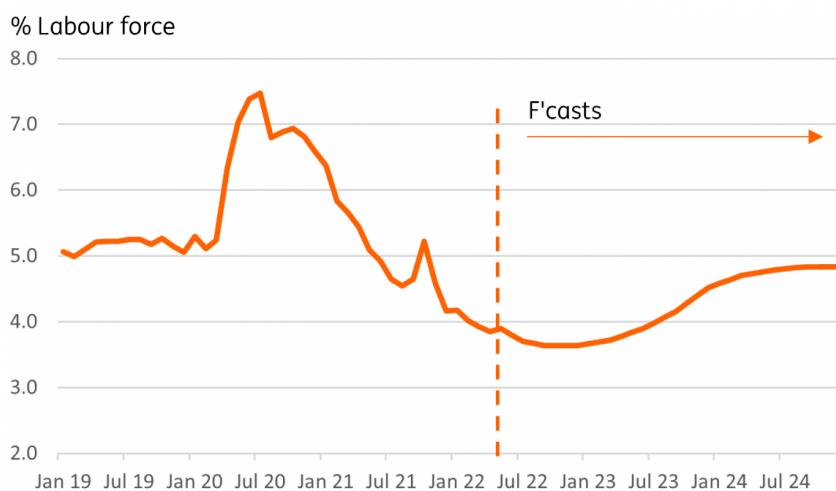
Unemployment rate didn't fall, but this was a positive labour market release

The May labour market release was supposed to deliver a lower, new all-time low unemployment rate of 3.8%, but coupled with a very modest gain in total employment. It did neither. The unemployment rate remained 3.9%. Though that is still the joint-lowest ever on record, and it didn't fall mainly for positive reasons, namely a surge in the labour force participation rate (66.7% from, 66.4%) which will temporarily lift the numbers counted as unemployed while they find work. We will probably see part-time and total jobs surge in the coming months as this happens, followed by a lagged decline and drift into full-time work. All of which should see the unemployment rate continue to achieve new lows.

As for the employment numbers, full-time employment rose by 69,400, offsetting all of the

modest decline in part-time working (-8,700). That is probably the main message from today's labour market figures - labour demand remains very strong.

Australian unemployment rate and forecasts



Source: CEIC, ING

Australian unemployment rate

RBA still has its work cut out

As a relative late-comer to the hiking game, the RBA will not be too comforted by today's figures. The implied strength in labour demand means that they still have a way to go to get rates out of their current accommodative setting, and labour market tightness is likely to get more, rather than less extreme as they make that transition.

Like many other central banks are finding currently, the arguments for stepping up the pace of tightening are gaining credibility. "More, sooner", may mean "less and for shorter" in total as far as rate hikes are concerned. The AUD actually fell on this data, which in our view, is not the appropriate market response and we may see some recovery once they figure it out.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

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 www.ing.com.