

Australian Economic Comment

Jobs rebound lowers UR to 5.7% = RBA on hold

Economics

Australia

March jobs rebound 26k m/m (after ~flat) – still strong at 2.0% y/y

Employment was better than expected in March with a solid 26k m/m rebound (UBS: +10k, mkt: +17k), after ~flat (-1k) in February. The y/y ticked down to 2.0%, the slowest since Sep-15, but remains relatively strong, and has still picked up solidly from 1¼% a year ago. In March, jobs growth remains driven by part-time (+35k m/m, +4.3% y/y, fastest since 2013), but full-time weakened further (-9k m/m, moderating to a 1-year low of +1.0% y/y). Hence, hours worked also fell further (-1.1% m/m, +0.7% y/y slowest since 2014), to be ~flat q/q in Q1, indicating a soft signal for GDP.

Driven by "unmatched common sample", but don't over interpret 'weakness'

The "matched sample" shows annual jobs are now entirely driven by the "unmatched common sample". While this may be interpreted as a 'weak' signal relative to the strength in headline jobs, we remain wary of dismissing the main trend of an improving labour market. For a more detailed discussion see: [Should we 'trust' the jobs data?](#)

Unemployment rate unexpectedly ticks down to 5.7%, lowest since Sep-13

Importantly, the unemployment rate also surprisingly fell again, ticking down to 5.7% in March (UBS & mkt: 5.9%) – the lowest level since Sep-13 – after an unexpected drop to 5.8% in February, from 6.0% in January. The unemployment rate now appears to be trending down modestly. Meanwhile, the participation rate held m/m at 64.9%, and remains on a broadly steady trend over the last year.

Implications: unemployment falling and business conditions lift...RBA on hold

Overall, the labour market continues to be on a better trend. Notably, this is broadly in line with the RBA's relatively optimistic view of further improvement ahead, and is also broadly consistent with the pick-up of [Q4 GDP growth](#) and more recent surge of [March business conditions](#) to an 8-year high (led by a jump of hiring intentions). As we have highlighted previously, while the RBA notes "continued low inflation would provide scope for easier policy", and a [sub-2% core CPI](#) print for Q1 would raise the risk of an RBA cut, this data suggests the RBA doesn't need to "lend support to demand". Hence, we continue to expect the RBA to stay on hold.

Figure 1: March jobs bounced 26k m/m, holding the y/y around 2%, consistent with other lead indicators

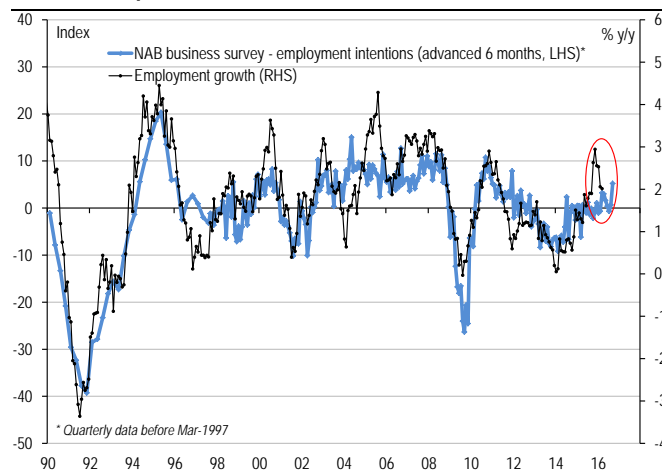
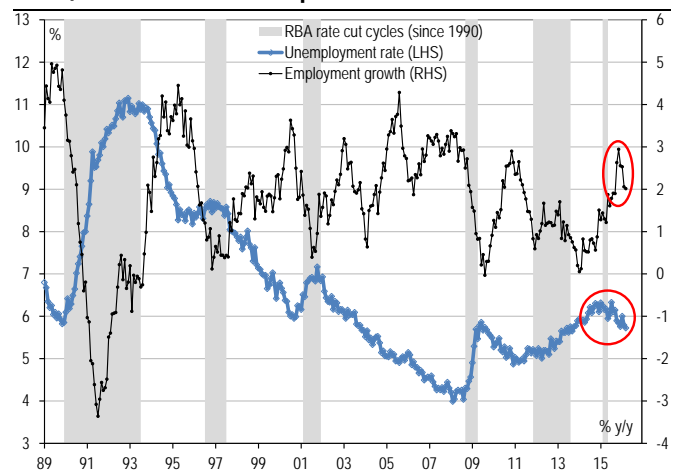


Figure 2: Solid jobs saw the unemployment rate fall to 5.7%, the lowest since Sep-13



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Labour force (March 2016)

Figure 3: Labour force

	Employment		Full-time		Part-time		Unemployment	Participation	Hours worked	
	000s m/m	% y/y	000s m/m	%y/y	000s m/m	%y/y			% m/m	% y/y
Nov-15	73	2.9	45	2.5	28	3.9	5.8	65.2	-0.2	2.7
Dec-15	1	2.6	19	2.3	-17	3.2	5.8	65.1	0.0	3.3
Jan-16	-8	2.5	-42	1.9	34	3.9	6.0	65.1	0.6	2.0
Feb-16	-0.7	2.1	14	1.6	-15	3.0	5.8	64.9	-0.2	2.2
Mar-16	26.1	2.0	-9	1.0	35	4.3	5.7	64.9	-1.1	0.7

Figure 4: Labour force by State – employment growth still strongest in NSW at a booming 3.5% y/y

	Employment (% y/y)								Unemployment rate (%)							
	NSW	VIC	QLD	SA	WA	TAS	NT*	ACT*	NSW	VIC	QLD	SA	WA	TAS	NT*	ACT*
Nov-15	4.8	3.2	3.0	1.3	-0.5	-0.5	2.6	1.4	5.2	6.1	5.9	7.3	6.5	6.6	4.3	5.0
Dec-15	4.6	1.6	2.3	1.5	0.9	-1.6	1.1	1.5	5.2	5.9	5.9	7.1	6.2	6.8	4.3	4.9
Jan-16	4.6	1.2	3.1	0.9	0.5	-0.8	-0.2	1.5	5.5	6.3	6.4	6.8	5.8	6.5	4.3	4.7
Feb-16	3.9	1.9	2.2	1.1	-1.0	-1.4	-1.5	1.3	5.3	6.0	5.6	7.6	6.0	6.9	4.4	4.5
Mar-16	3.5	2.0	1.8	0.9	0.3	-0.7	-2.5	1.1	5.3	5.7	6.1	7.2	5.5	6.8	4.5	4.3

Figure 5: The q/q trend in hours worked implies some softening in GDP growth is likely in Q1

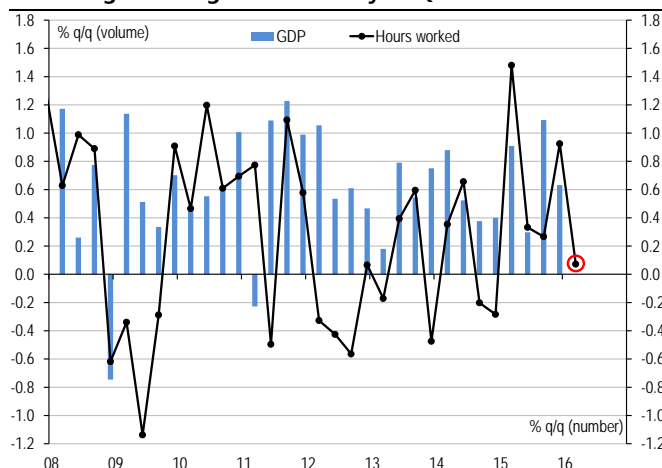


Figure 6: The steady rise in the employment-population ratio since Jan-15 suggests 'true' labour market strength

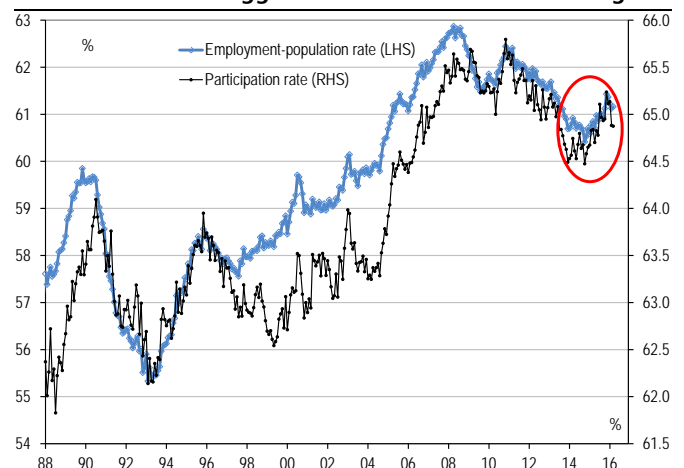


Figure 7: The unmatched common sample (~7% share of jobs) added a record 638k y/y to employment growth

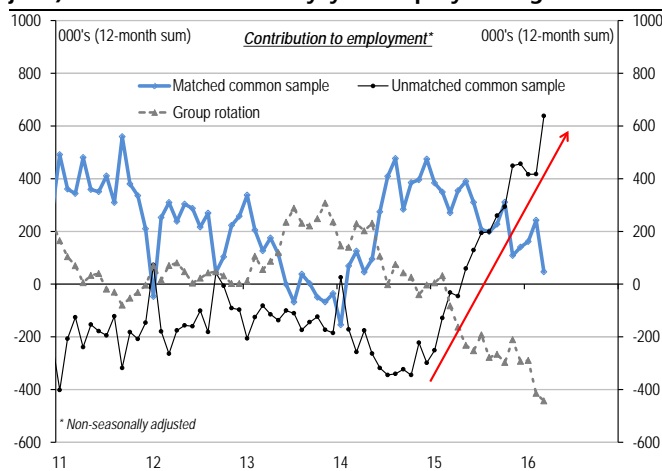
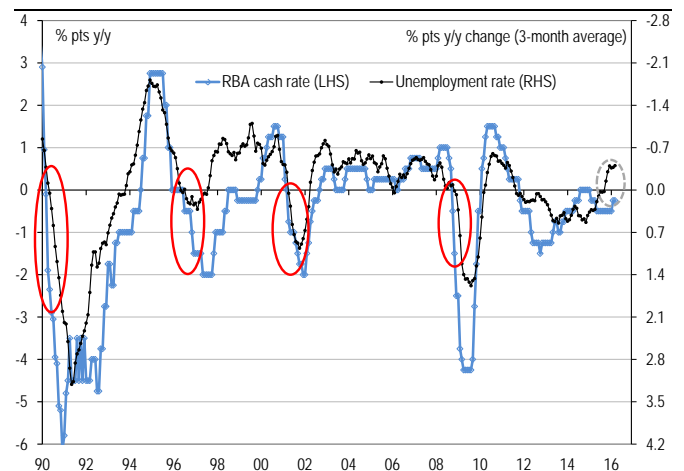


Figure 8: The trend in unemployment is not consistent with further cuts to the cash rate



Source: ABS, RBA, UBS * NT and ACT are trend data

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