

Australian Economic Comment

Jobs boom 3%, UR 5.8% – improvement overstated

Economics

Australia

Nov jobs spike 71k m/m after 56k – 2nd best 2-month rise (& now 3% y/y)

Employment was again incredibly strong in November, spiking by 71k m/m (UBS -5k, mkt -10k) – the most since 2000 (and one of the largest on record) – after an already strong 56k lift in October. Hence, the y/y lifted further to a post-GFC high of 3.0%, after 2.7% in October, and only 1.2% in April. Full-time led the m/m again (42k, 2.6% y/y), but part-time also lifted (30k, 3.9% y/y). However in contrast, hours-worked actually retraced after surging (-0.8% m/m, albeit still +2.8% y/y).

'Matched sample' shows a far smaller rise in jobs of 6k m/m after 24k

The ABS provides a 'matched sample' of survey respondents (i.e. those who were in the sample for both the current month and prior month). This shows a far smaller – & more realistic – rise in jobs growth over the past two months. In original terms this increase was 5k after 48k, while we estimate in seasonally adjusted terms (to compare to the total), the gain was 6k after 24k – which is only ~¼ the size of the headline result.

Unemployment drops again to 5.8% (after 5.9%), equal lowest since Sep-13

The unemployment rate surprisingly also dropped again, to 5.8% (UBS & mkt: 6.0%) – the equal lowest level since Sep-13 (after 5.9%). Putting aside the volatility, the trend of the unemployment rate now appears to be falling. Meanwhile, the participation rate rebounded to a 3-year high of 65.3%. Elsewhere, the broadest measure of the labour market – the underutilisation rate – only ticked down q/q to 14.3%, to be down ~½pt from its highest since 1998, several quarters ago.

Implications: UBS analysis puts the jobs pace at ~2% y/y (not 3%)

November's labour report delivered a near record high growth in jobs & a drop in unemployment. But this overstates the 'true' improvement, with the trend in the pace of the matched sample broadly consistent with ~2% y/y jobs growth (20k pm over 4 months) – which is in line with the leading jobs indicators – rather than the reported 3% pace. That said, this is still fast enough to suggest the peak in the unemployment rate has already passed, consistent with our view the RBA will remain on hold over the next year (even as reported y/y jobs growth slows back to ~2%).

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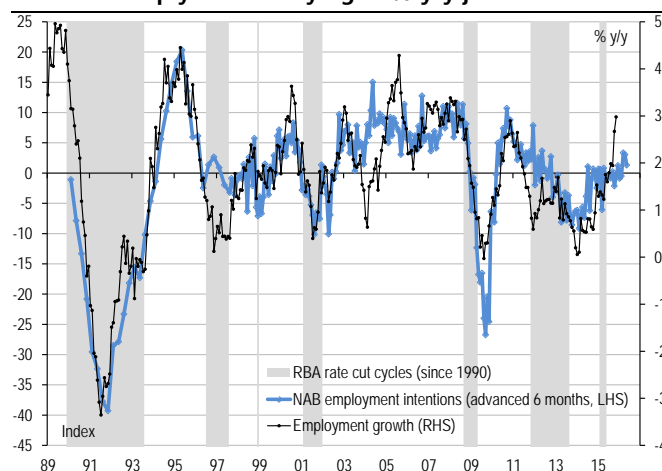
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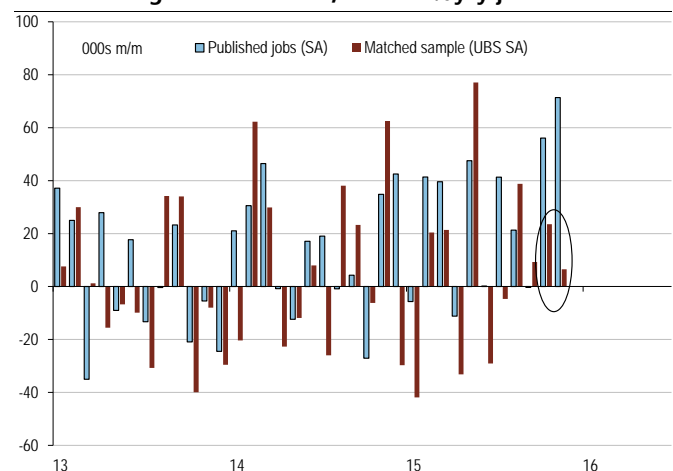
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Figure 1: Despite a bounce in jobs to 3% y/y, leading indicators imply an underlying ~2% y/y jobs trend...



Source: ABS, NAB, UBS

Figure 2: The common 7/8's of the jobs report show a smaller 30k gain over 2mths, ~ to a 2%y/y jobs trend



Source: ABS, UBS estimates

Labour force (November 2015)

Figure 3: Labour force

	Employment		Full-time		Part-time		Unemployment rate %	Participation rate %	Hours worked		Underutilisation rate	
	000s m/m	% y/y	000s m/m	% y/y	000s m/m	% y/y			% m/m	% y/y	%	
Jul-15	41.3	1.8	14	1.2	27	3.2	6.3	65.1	-0.1	1.5	Nov-14	14.9
Aug-15	21.3	2.0	13	1.6	8	2.9	6.2	65.0	0.0	1.5	Feb-15	14.6
Sep-15	-0.3	1.9	-11	1.6	10	2.8	6.2	64.9	0.8	2.5	May-15	14.4
Oct-15	56.1	2.7	38	2.0	18	4.1	5.9	65.0	1.2	3.8	Aug-15	14.4
Nov-15	71.4	3.0	42	2.6	30	3.9	5.8	65.3	-0.8	2.8	Nov-15	14.3

Figure 4: Labour force by State – employment growth booms the most since 1988 in NSW (+4.9% y/y)

	Employment (% y/y)								Unemployment rate (%)							
	NSW	VIC	QLD	SA	WA	TAS	NT*	ACT*	NSW	VIC	QLD	SA	WA	TAS	NT*	ACT*
Jul-15	3.1	2.5	0.1	0.1	0.9	1.2	3.7	0.2	5.9	6.4	6.5	7.8	6.4	6.6	4.5	4.7
Aug-15	3.2	2.2	0.8	-0.2	1.5	2.1	4.3	0.4	5.9	6.1	6.4	7.9	6.1	6.4	4.5	4.9
Sep-15	3.4	1.8	1.6	-0.7	0.3	1.8	4.3	0.5	5.8	6.3	6.3	7.6	6.1	6.0	4.5	5.0
Oct-15	3.7	3.0	2.8	0.4	0.9	0.3	3.7	0.7	5.5	5.6	6.1	7.6	6.4	6.5	4.4	5.1
Nov-15	4.9	3.2	3.1	1.3	-0.4	-0.5	2.6	0.9	5.2	6.2	5.9	7.3	6.6	6.6	4.3	5.2

Figure 5: The unemployment rate dropped to 5.8%, a two year low, underutilisation is much higher, but easing too

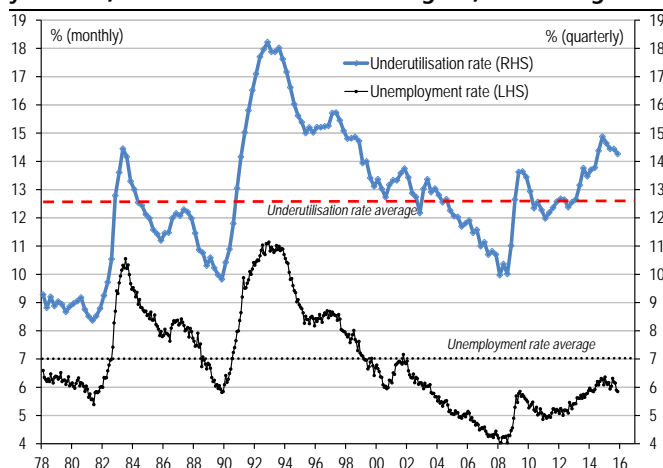


Figure 6: The participation rate bounced to 65.3%, the highest since September 2012

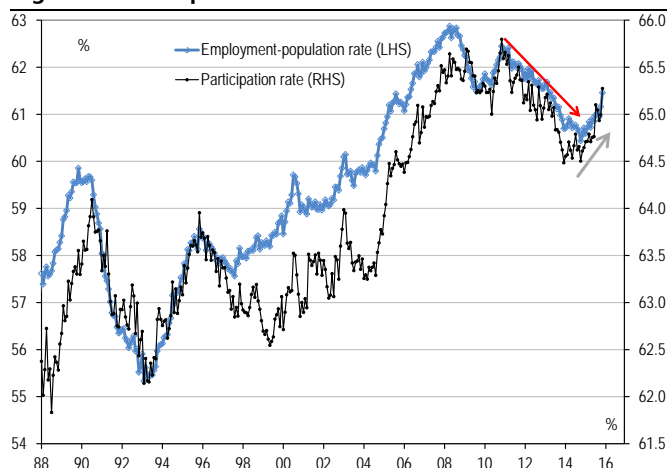


Figure 7: While hours worked retraced 0.8% m/m, the trend to date implies a solid Q4 GDP print

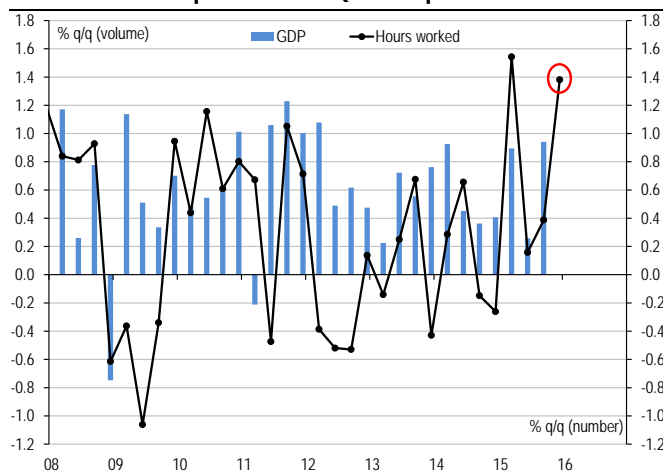
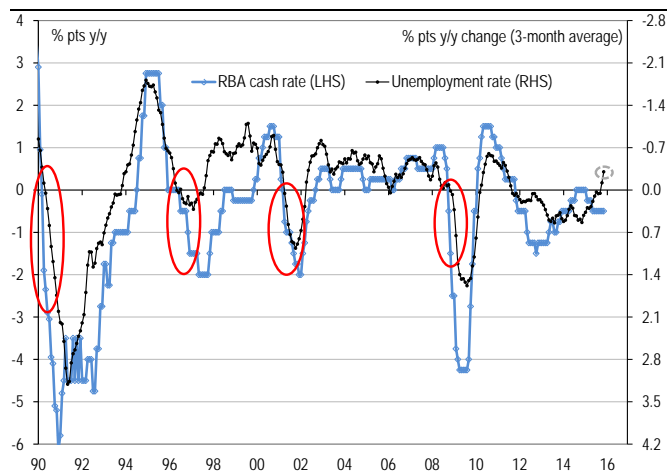


Figure 8: The improving trend in unemployment is not consistent with further cuts to the cash rate



Source: ABS, NAB, RBA, Department of Social Services, UBS * NT and ACT are trend data

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