

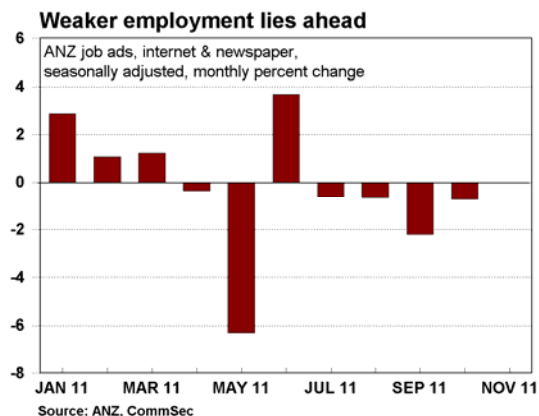
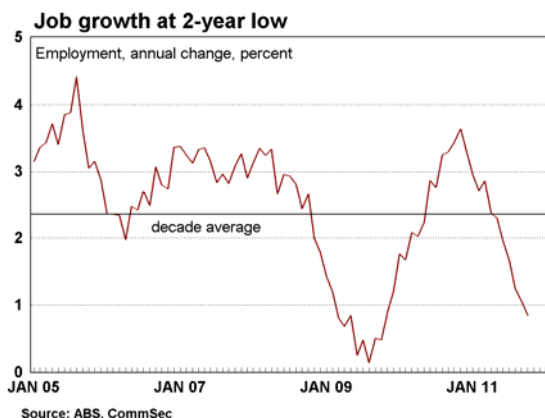
More jobs, but softer times ahead

Labour force

- **The unemployment rate** fell from an upwardly-revised figure of 5.3 per cent in September to 5.2 per cent in October. The participation rate held steady at 65.6 per cent. The working age population rose by 21,000 in October with annualised growth at 1.2 per cent – the smallest gain 11 years.
- **Employment rose** by 10,100 in October, in line with expectations. The September result was revised up slightly from a gain of 20,300 people to a gain of 22,500. Full-time employment rose by 20,000 in October and part-time jobs fell by 9,900. Annual employment growth is 0.9 per cent – slowest in 23 months.
- **Average hours worked** rose by 0.6 per cent in October after falling by 0.6 per cent in September. The number of hours worked is up 1.6 per cent on a year ago.
- **Across the states and territories unemployment rates in October were:** NSW 5.3 per cent (5.5 per cent in September); Victoria 5.3 per cent (5.3 per cent); Queensland 5.7 per cent (5.3 per cent); South Australia 5.3 per cent (5.6 per cent); Western Australia 4.2 per cent (4.3 per cent); Tasmania 5.0 per cent (4.7 per cent); Northern Territory 4.1 per cent (4.1 per cent); ACT 3.8 per cent (3.9 per cent).
- **Queensland led the job gains in October** (up 17,900) followed by Victoria (up 3,700), NSW (up 1,900), Tasmania (up 1,800), Northern Territory (up 900 in trend terms) and ACT (up 300 in trend terms). Western Australia led the job losses (down 8,200), followed by South Australia (down by 600).

What does it all mean?

- The latest employment figures are heartening, but the results are more of a snapshot on how the economy looked 4-5 months ago. Clearly it takes time to take on new staff, from the start of the interviewing process to when the new starters finally commence work. But given the fact that job advertisements have softened in six of the last seven months, the jobless rate will probably edge towards 5.5 per cent over the next few months.
- Still, comparing the job market in Australia with markets in Europe or the US is like comparing chalk with cheese. Australia's job market remains healthy, supporting growth in the broader economy.
- Tasmania has one of the lowest unemployment rates in the nation while Queensland has the highest rate. How times change. But the latest jobs data confirms the economic hierarchy in Australia – Western Australia and the



Craig James – Chief Economist (Author)
(612) 9118 1806 (work); Twitter: @craigjamesOZ

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ACT lead while there is a fair gap to the rest.

- While the jobs data is largely backward-looking, it is still the case that an extra 10,000 odd workers now have jobs compared with a month ago. And that means more latent spending power. Of course in the current environment people are still more likely to be saving rather than spending.
- The jobs data means that there is no imperative for the Reserve Bank to cut rates again in December. Still any rate cut in December was always going to be more a function of the situation in Europe. So if Europe implodes, the Reserve Bank may be forced to cut rates in December. In our judgement – and assuming Europe still muddles through in the next few weeks – the next interest rate cut won't occur until February – after the next inflation data.

What do the figures show?

Labour force

- Employment rose by 10,100 people in October. Economists had tipped job gains of around 10,000. The September result was revised to show job gains of 22,500 (previously job gains of 20,300). Full-time employment rose by 20,000 in October and part-time jobs fell by 9,900.
- The annual employment growth rate eased from 1.1 per cent to 0.9 per cent – the weakest growth rate in 23 months. The unemployment rate fell from an upwardly revised level of 5.3 per cent to 5.2 per cent. The participation rate held steady at 65.6 per cent.
- Average hours worked rose by 0.6 per cent in October after falling by 0.6 per cent in September. The number of hours worked is up 1.6 per cent on a year ago.
- Across the states and territories unemployment rates in October were: NSW 5.3 per cent (5.5 per cent in September); Victoria 5.3 per cent (5.3 per cent); Queensland 5.7 per cent (5.3 per cent); South Australia 5.3 per cent (5.6 per cent); Western Australia 4.2 per cent (4.3 per cent); Tasmania 5.0 per cent (4.7 per cent); Northern Territory 4.1 per cent (4.1 per cent); ACT 3.8 per cent (3.9 per cent).
- Queensland led the job gains in October (up 17,900) followed by Victoria (up 3,700), NSW (up 1,900), Tasmania (up 1,800), Northern Territory (up 900 in trend terms) and ACT (up 300 in trend terms). Western Australia led the job losses (down 8,200), followed by South Australia (down by 600).
- The working age population rose by 21,000 in October after lifting by 15,700 in September. The working age population grew by 1.2 per cent over the past year – the smallest gain in 11 years.

What is the importance of the economic data?

- The **Labour Force** estimates are derived from a monthly survey conducted by the Bureau of Statistics. The population survey is based on a multi-stage area sample of private dwellings (currently about 22,800 houses, flats, etc.) and a sample of non-private dwellings (hotels, motels, etc.). The survey covers about 0.24 per cent of the population of Australia and includes all people over 15 years of age, except defence personnel.
- If more people are employed, then there is greater spending power in the economy. But at the same time companies may adjust the work hours of employees. If employees work less hours, and therefore get paid less, then spending power in the economy is reduced.

What are the implications for interest rates and investors?

- The latest jobs result is encouraging, but it's what lies ahead that matters more. The NAB business survey and ANZ job ads index both point to a weaker job market ahead. It just depends how much it weakens in the months ahead as to when the Reserve Bank cuts rates again, and by how much.
- There is a near 2 percentage point gap in the jobless rates across the states and territories, showing how varied economic conditions are in Australia.

Craig James, Chief Economist, CommSec
Work: (612) 9118 1806;
Twitter: @craigjamesOZ

