

Aust labour force: consolidation after 5 strong gains; trend still accelerating towards 3%yr Feb employment +0.4k; full-time +11.4k; unemployment rate 5.3% vs 5.2% previously

- After five consecutive strong upside surprises in employment growth, a consolidation was seen in February. Nevertheless, the small 0.4k rise in total employment was the sixth consecutive increase with 6mth annualised growth a rapid 3.7% (highest since Sep-06).
- A consolidation such as this was to be expected at some point, helping to partially redress the imbalance between leading indicators (which were signalling a more moderate acceleration in jobs growth) and the strong acceleration in actual trend employment growth. A continued downtrend in average hours worked (trend currently 2.4% below Jun-08 peak) also indicates spare capacity in the existing workforce that should temper the jobs upswing. Indeed, with softness in February employment concentrated in part-time jobs (-11.0k) but a solid full-time gain (+11.4k), seasonally adjusted average hours worked bounced 2.4% mth.
- Even with the February consolidation in jobs, a strong acceleration in trend jobs growth is still apparent. Trend growth rose to 1.7%yr from an upwardly revised 1.4%yr previously, the strongest since Oct-08. The signals from our preferred leading indicators of labour demand (job ads, business surveys, consumers' unemployment expectations, and lagged domestic demand growth) continue to imply a further acceleration to 3%yr jobs growth in 2010.
- Despite a dip in the participation rate to 65.2% from 65.3% (common in months of softer jobs results), we continue to expect the jobs acceleration in 2010 to be accompanied by higher participation rates, slowing the downtrend in the unemployment rate, as strong population growth and higher participation lifts the monthly jobs requirement needed to hold the unemployment rate steady.
- Our forecasts see the unemployment rate falling to 5.1% in 2010, close to the 5.0% we believe the RBA assesses as the NAIRU. But risks remain that the NAIRU is pressured sooner from the lack of any participation rate uptrend (trend PR is still 65.2% vs 65.4% a year ago).
- The headline results showed a 0.4k rise in jobs (consensus 15k) after a 56.5k rise previously, with full-time +11.4k (vs +12.0k prev). The participation rate dipped to 65.2% from 65.3%, offsetting the jobs result to temper the impact on the unemployment rate. The unemployment rate rose 0.1ppts as we expected, but from a downwardly revised 5.2% to 5.3%, and the trend rate continued to fall (5.3% vs 5.4% prev, lowest since Feb-09).

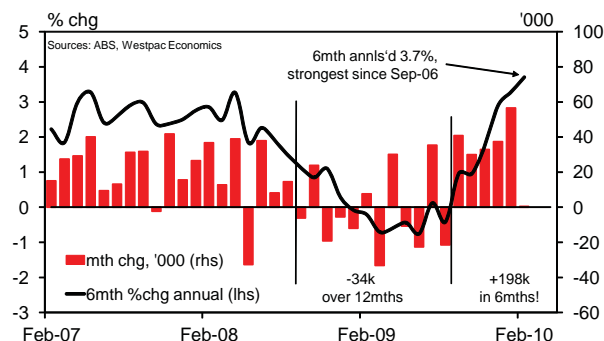
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Labour force report, February 2010

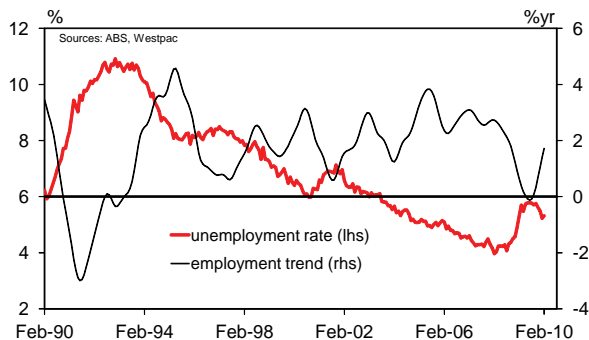
	Monthly		Year to	
	Jan	Feb	Jan	Feb
Total employment ('000)	56.5	0.4	182.4	175.2
Total employment (% chg)	0.5	0.0	1.7	1.6
F-time employment ('000)	12.0	11.4	-57.1	4.6
F-time employment (% chg)	0.2	0.1	-0.7	0.1
P-time employment ('000)	44.5	-11.0	239.5	170.5
P-time employment (% chg)	1.4	-0.3	7.8	5.4
Unemployment rate %	5.2	5.3	4.9*	5.3*
Participation rate %	65.3	65.2	65.3*	65.5*

* Observation one year ago. Sources: ABS 6202, Westpac Economics Research

Aust jobs: consolidate after 5 strong gains

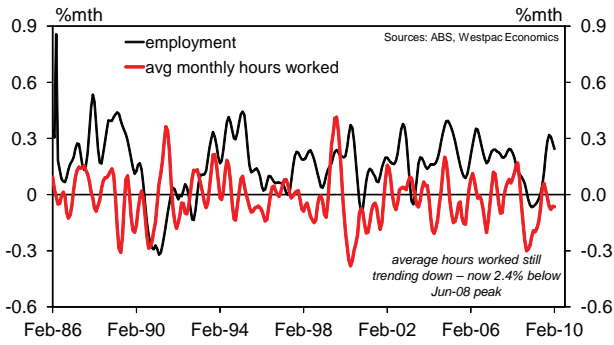


Unemployment rate and trend jobs growth

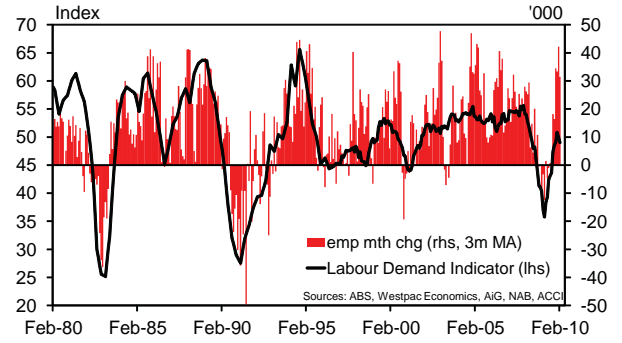


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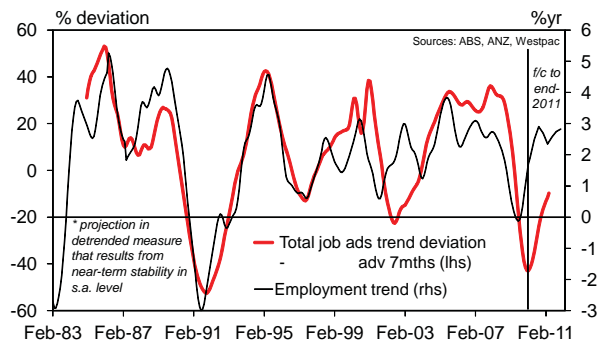
Trend jobs & avg hours worked growth



Jobs growth beyond business survey signals



Job ads (detrended, proj*) & employt growth



Trend unemployment rates by state

