

# Aust labour force: mthly jobs growth slowing but unemploy't rate gradually trending down

## Jul employment +23.5k; full-time -4.2k; unemployment rate 5.3% vs 5.1% previously

- While headline employment was slightly stronger than expected in July at +23.5k (consensus +20k), the overall tone of the labour force report was arguably weaker than expected with a decline in full-time jobs and an unexpected rise in the unemployment rate to 5.3% (consensus 5.1%).
- Still, the underlying jobs trends continue to evolve in line with our prognosis. Our composite of business survey employment indices, the LDI, has fallen since April and in July was at a level consistent with smoothed jobs growth around 11k/mth. Trend jobs growth has now slowed to 16.7k/mth from a Nov-09 peak of 33.5k. Derived average hours worked have been in an uptrend for five months as employers begin to erode spare capacity. But with their trend level still 1.9% below their mid-08 peak, considerable spare capacity remains that should keep monthly jobs growth on this more moderate uptrend.
- The slowing monthly uptrend in jobs has still seen annual growth accelerate to 2.7%yr (highest since Jul-08) in July from 2.6%, and medium term leads imply a rise to 3%yr by end-2010 and resilience through 2011H1 near 3%yr. Also, with the 4.2k fall in full-time jobs in July the first fall in 11 months, annual trend growth still rose to 2.4% from 2.1%.
- Corresponding with the recent rebound in consumer sentiment and falling consumers' unemployment expectations, the participation rate rose 0.2ppts to 65.5%. That saw strong labour force growth of 48.1k, more than offsetting the jobs gain to lift the unemployment rate 0.2ppts to 5.3%. But with this rise driven by strong supply rather than weak demand, we are less concerned by the increase. The trend unemployment rate continued to edge gradually lower (5.2% vs 5.8% a year ago), and our jobs growth prognosis takes it below 5% (our NAIRU estimate) by end-2010 and towards 4¾% in mid-2011.

Employment growth was moderately higher than expected in July with a rise of 23.5k after a downwardly revised 37.4k gain previously. The consensus forecast was +20k and the range was from flat to +30k. That marked the 10th rise in the last 11 months for a cumulative gain of 309.4k after a cumulative rise of 11.9k over the prior year (revised from cumulative 33.6k fall).

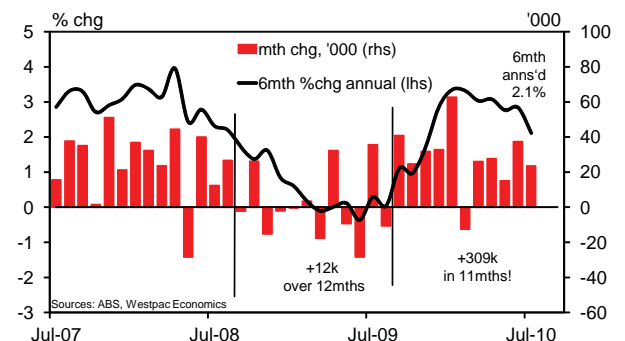
The history of the data has been revised back to July 2006 reflecting population benchmark revisions due to revised net migration data (as well as annual seasonal reanalysis). Essentially, this has seen upward revisions to the level of the working aged population and the participation rate, but also upward revisions to the levels of employment and unemployment. While the

### Labour force report, July 2010

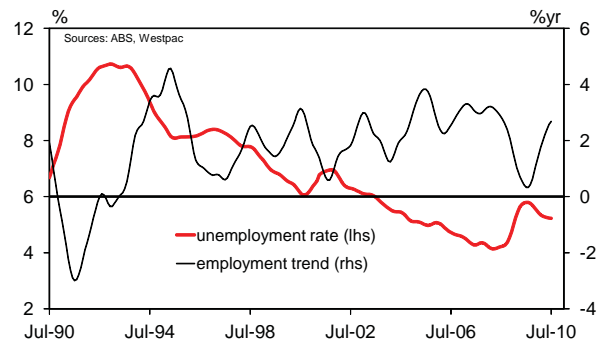
	Monthly		Year to	
	Jun	Jul	Jun	Jul
Total employment ('000)	37.4	23.5	311.0	298.9
Total employment (% chg)	0.3	0.2	2.9	2.7
F-time employment ('000)	12.2	-4.2	172.1	175.7
F-time employment (% chg)	0.2	-0.1	2.2	2.3
P-time employment ('000)	25.2	27.7	138.9	123.2
P-time employment (% chg)	0.8	0.8	4.3	3.8
Unemployment rate %	5.1	5.3	5.8*	5.7*
Participation rate %	65.3	65.5	65.4*	65.4*

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

### Aust jobs: up, but mthly growth slowing



### Unemployment rate and trend jobs growth



Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141. Information current as at date above. This information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs. Westpac's financial services guide can be obtained by calling 132 032, visiting [www.westpac.com.au](http://www.westpac.com.au) or visiting any Westpac Branch. The information may contain material provided directly by third parties, and while such material is published with permission, Westpac accepts no responsibility for the accuracy or completeness of any such material. Except where contrary to law, Westpac intends by this notice to exclude liability for the information. The information is subject to change without notice and Westpac is under no obligation to update the information or correct any inaccuracy which may become apparent at a later date. Westpac Banking Corporation is registered in England as a branch (branch number BR000106) and is authorised and regulated by The Financial Services Authority. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised and regulated by The Financial Services Authority. If you wish to be removed from our e-mail, fax or mailing list please send an e-mail to [economics@westpac.com.au](mailto:economics@westpac.com.au) or fax us on +61 2 8254 6934 or write to Westpac Economics at Level 2, 275 Kent Street, Sydney NSW 2000. Please state your full name, telephone/fax number and company details on all correspondence. © 2010 Westpac Banking Corporation. Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

employment revisions have reduced the jobs rise over the year to June 2010 (from 353.3k to 311.0k), they also improved the picture for the year to August 2009 (from -33.6k to +11.9k). The revisions largely offset one another so the revisions to the unemployment rate were minimal, limited to 0.1ppts upward revisions to the unemployment rates for January, March, April and May 2010 (with greater upward revisions to recent participation rates).

The breakdown of the jobs result was on the soft side in July for the first time in almost a year. Full-time jobs fell 4.2k after a 12.2k rise previously, but that was their first fall since August 2009. Since August 2009, full-time jobs have gained a cumulative 204.1k, an annualised growth rate over the last 11 months of 2.9% (vs 2.6% previously), the strongest 11 month annualised pace since August 2008. Additionally, the dip in seasonally adjusted full-time jobs failed to prevent a further acceleration in annual full-time trend jobs growth, to 2.4%yr from 2.1%yr previously, the highest since September 2008.

Monthly trend jobs growth continues to ease in line with our Westpac prognosis. Trend growth slowed to 16.7k/mth from 21.0k/mth previously, down from a November 2009 peak of 33.5k/mth, the weakest since August 2009. That's consistent with our view that monthly trends should remain more moderate near-term as employers utilise spare capacity in their existing workforce. While derived average hours worked fell 0.7% sadj. in July, they trended higher for the fifth month. Considerable spare capacity remains with trend average hours still 1.9% below their mid-2008 peak.

Our composite of business survey employment indices (the Westpac LDI) is also broadly consistent with the slowing in monthly employment trend growth. Since peaking in April, the LDI has fallen to a level in July consistent with smoothed jobs growth around 11k/mth.

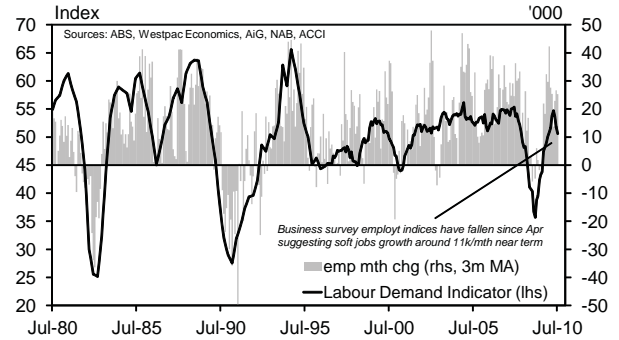
Nevertheless, despite the slowing monthly trend and our view that this will continue, annual trend jobs growth has continued to accelerate, and medium term leads (such as job ads and consumers' unemployment expectations) point to jobs growth reaching 3%yr in 2010H2 and remaining resilient in 2011H1. Trend jobs growth in July accelerated to 2.7%yr from 2.6%, the highest since July 2008.

The population benchmark revisions saw the June participation rate revised up to 65.3% from 65.2%, and participation rose a further 0.2ppts in July to 65.5% (revised record high is now 65.7%). This drove strong labour force growth of 48.1k in July, more than offsetting the jobs rise to lift the unemployment rate 0.2ppts to 5.3% (consensus 5.1%, top of the range 5.2%). But the fact that the unemployment rate rise was a function of strong supply rather than weak demand is an offsetting positive. The trend unemployment rate remained in a very slow downtrend, at 5.2% for the last three months, down from 5.8% a year ago (to three decimals fell to 5.229% in July from 5.232% in June and 5.249% in May).

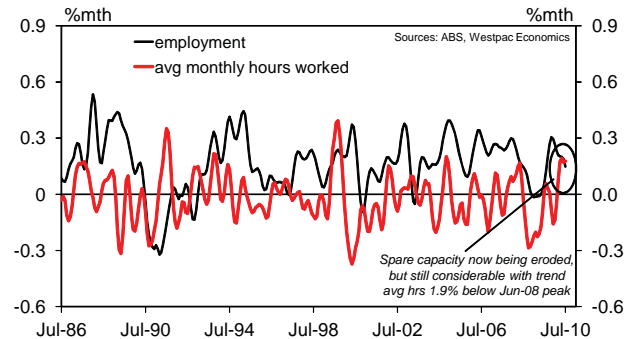
Looking forward, our prognosis for continued slow monthly trend jobs growth but rising annual growth to around 3%yr in 2010H2 and resilience in 2011H1, combined with rising labour force growth from further gains in participation and continued strong population growth, would still see the gradual unemployment rate downtrend continue. We expect the unemployment rate to fall below 5% (our assessment of the NAIKU) by end-2010, and towards 4¾% through 2011H1.

**Anthony Thompson**, Senior Economist +61 (2) 8254 8039

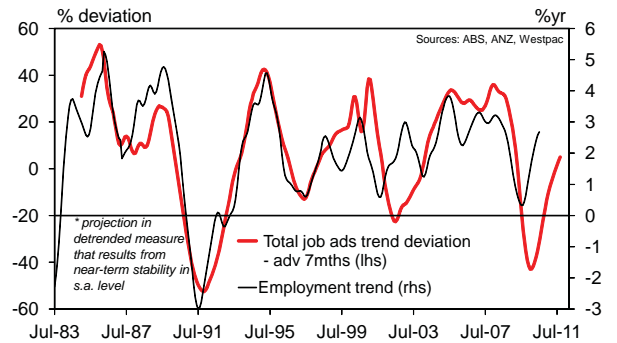
### Westpac Australian Labour Demand Indicator



### Trend jobs & avg hours worked growth



### Job ads (detrended, proj\*) & employt growth



### Trend unemployment rates by State

