



AUSTRALIA'S REMARKABLE JOBS RECOVERY

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Agenda

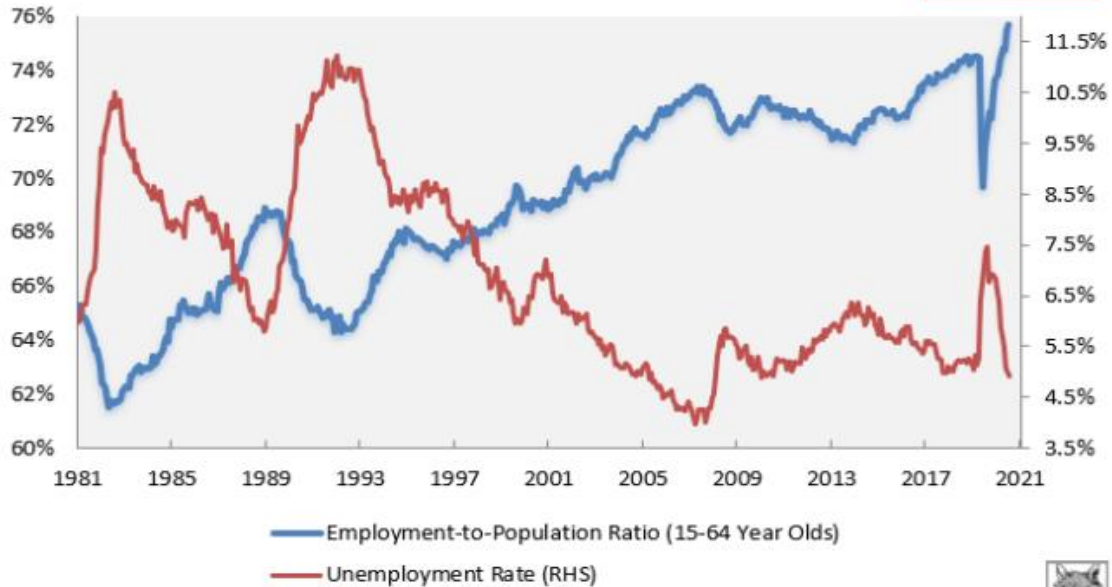
- Australia's unemployment rate fell to decade low in June.
- Tightest job market in decades.
- Drivers: Stimulus and closed borders.
- How low can unemployment go? And will it translate into higher wage growth?
- Will current lockdowns ruin the rebound?
- Implication for monetary policy

A spectacular labour market rebound

Australia's stunning labour market recovery

Source: Australian Bureau of Statistics

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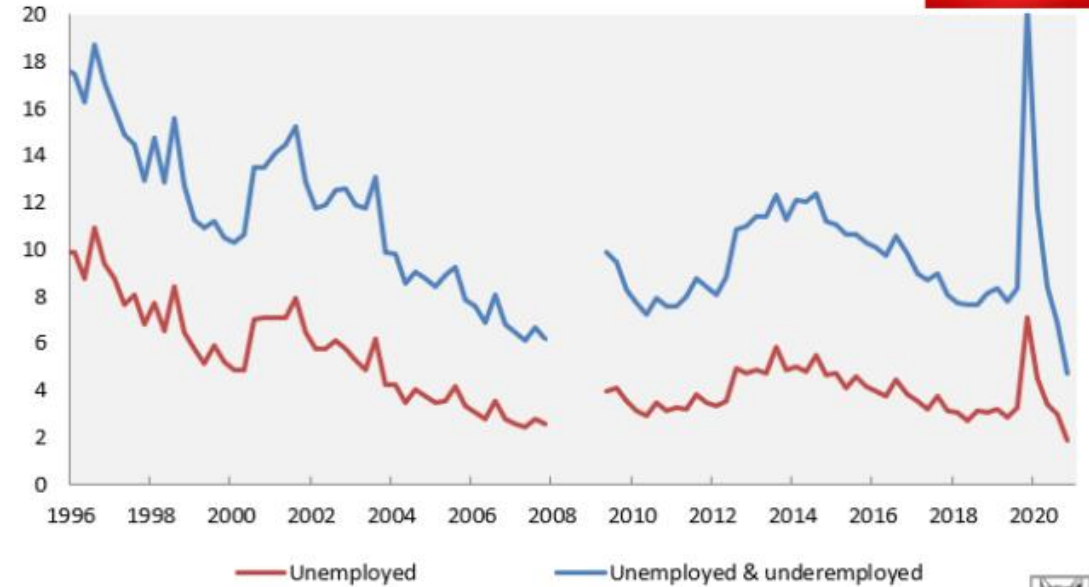
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Australian unemployed per job vacancy

Source: Australian Bureau of Statistics

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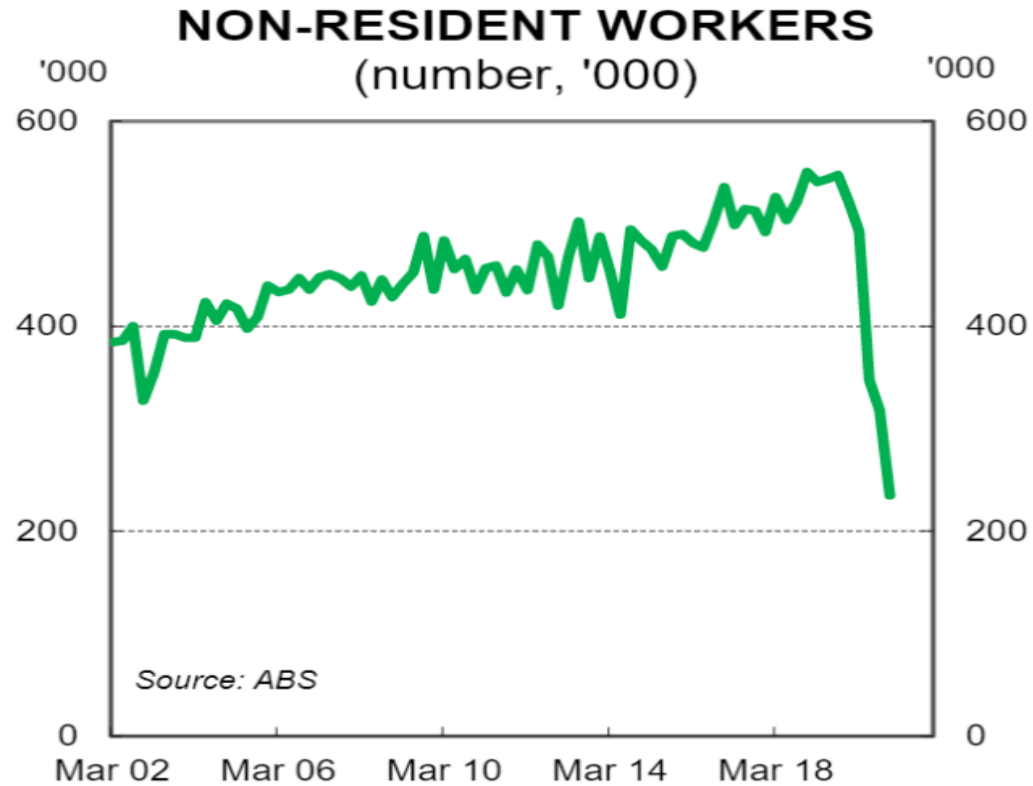


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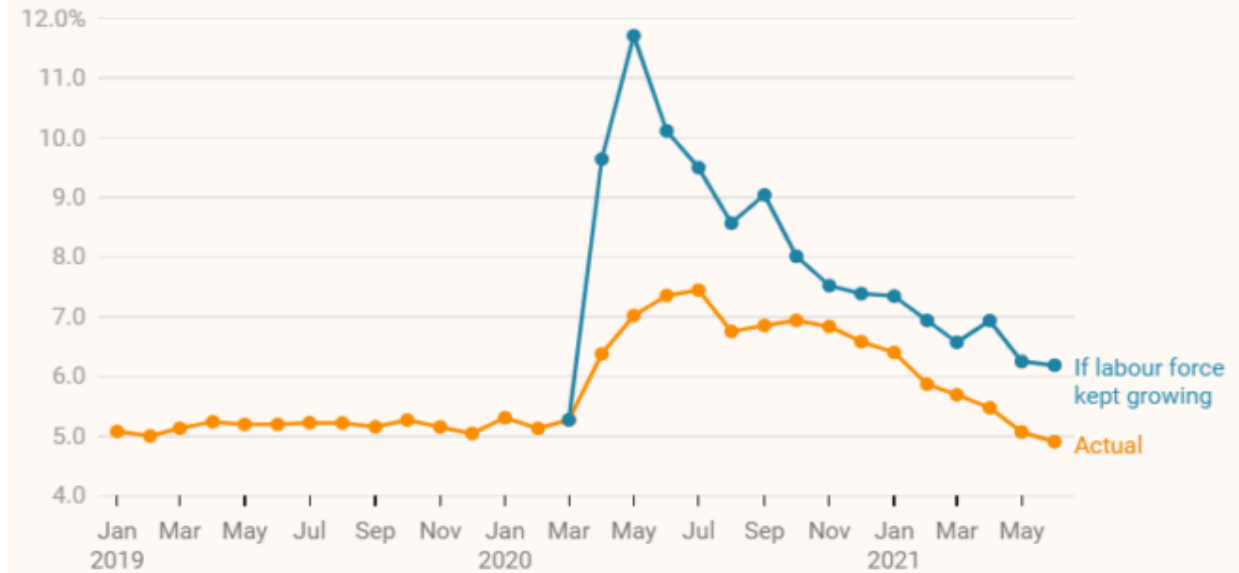


- Australia's unemployment rate fell to a decade low 4.9% in June.
- Employment to population rate for 15 to 65 year-olds also rose to its highest ever level of 75.7%.
- Number of job ads per unemployed and underemployed running at lowest on record.

Two drivers: Stimulus and closed borders



The cut of migrants enabled the unemployment rate to stay lower



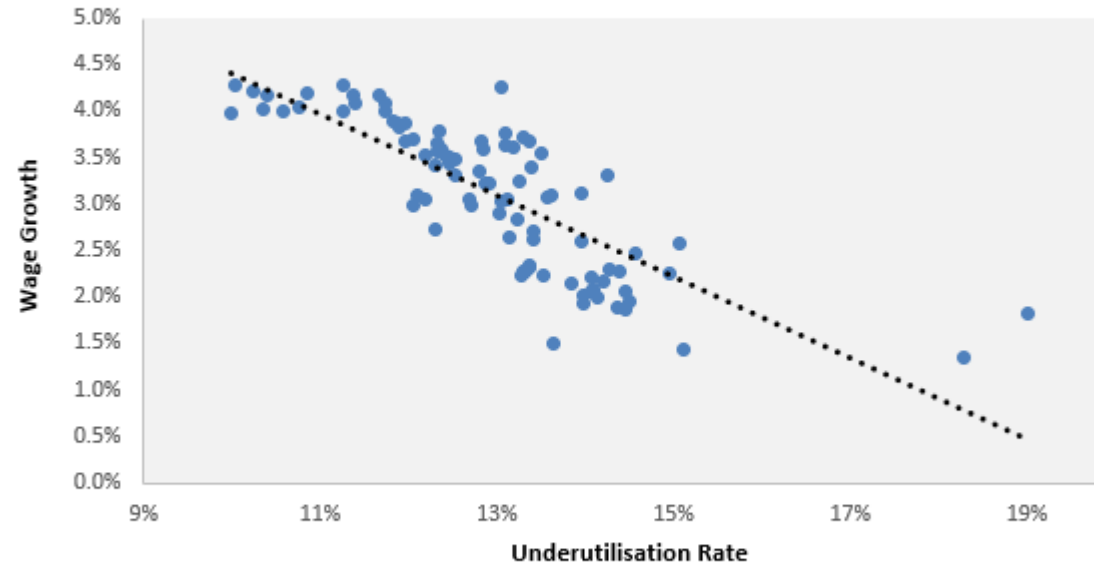
- Hundreds of billions of dollars of stimulus has boosted labour demand.
- At same time, labour supply has grown more slowly due to decline in non-resident workers and fewer migrants arriving.
- If labour force had kept growing at its pre-COVID rate, unemployment rate in June would have been 6.2% not 4.9%.

How low can unemployment go? Will wages rise?

Wage Growth vs Underutilisation Rate



Source: Australian Bureau of Statistics



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- Unemployment in June was 4.9%, underutilisation rate 12.8%. Last time underutilisation was 12.8% was April 2013.
- Underutilisation rate strongly correlated with wage growth.
- How low can unemployment / underutilization go. And will it drive wages higher?

Will RBA be forced to raise rates earlier?

- RBA repeatedly stated that cash rate would not rise for several years.
- Will only raise rates when CPI increases to its 2% to 3% target range.
- Achieving higher CPI will require wage growth rising above 3%, which will require unemployment to fall below 4.5%.
- What are the chances the RBA will be forced to raise rates earlier?

Viewer question of the week:

How low will unemployment go?

Drop your answers in the comments

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