



AUSTRALIA'S RECORD BREAKING LABOUR MARKET



Agenda

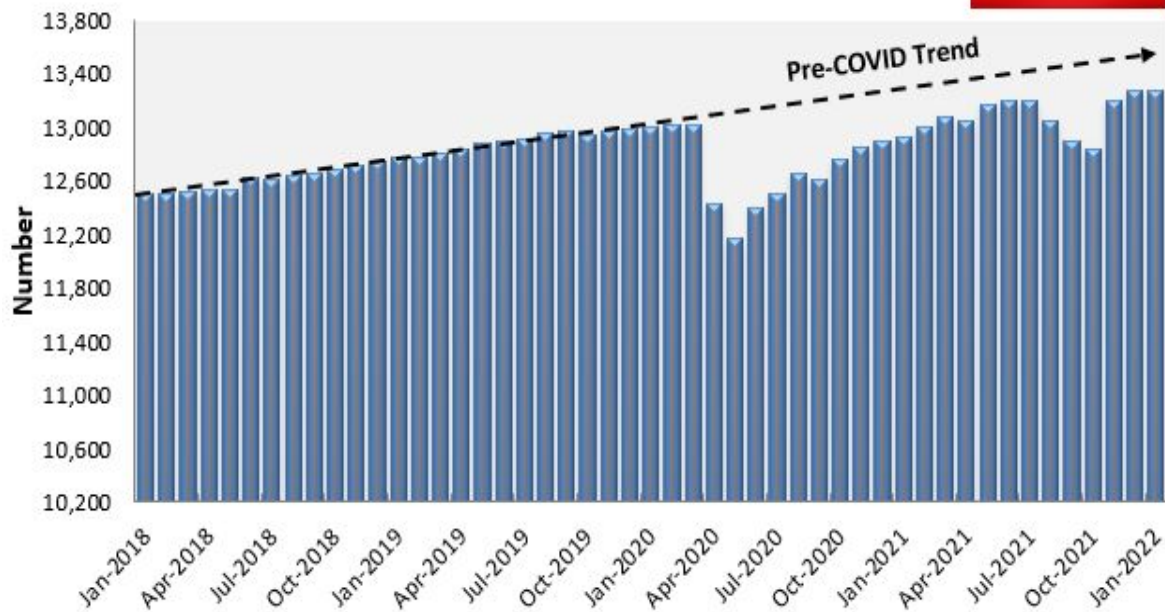
- ABS January Labour results
- Tightest jobs market in generations
- Role of closed borders
- Implications for wages
- Implications for interest rates

Unemployment and underemployment tracking near 14-year low

Total Employment

Source: Australian Bureau of Statistics

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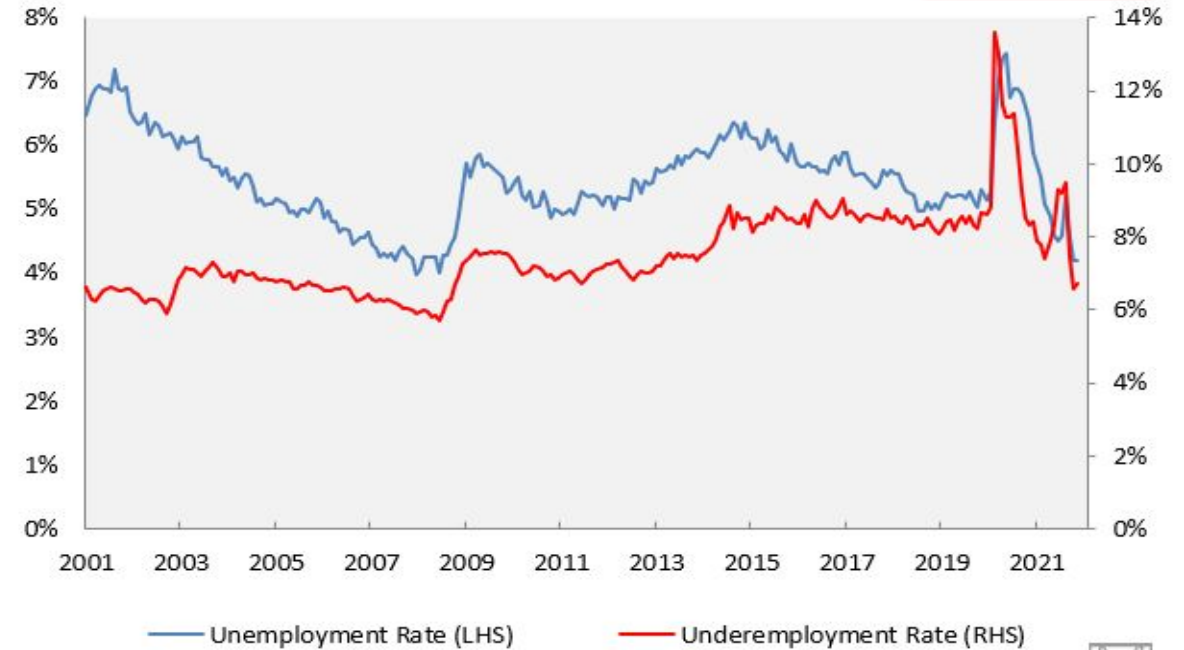
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Unemployment and Underemployment Rate

Source: Australian Bureau of Statistics

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— Unemployment Rate (LHS)

— Underemployment Rate (RHS)

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- Australia's unemployment (4.2%) and underemployment (6.7%) rates are tracking near 14-year lows despite jobs growth lagging the pre-COVID trend.

More Aussie's in full-time jobs

Australian Employment

Source: Australian Bureau of Statistics



— Full-Time (LHS)

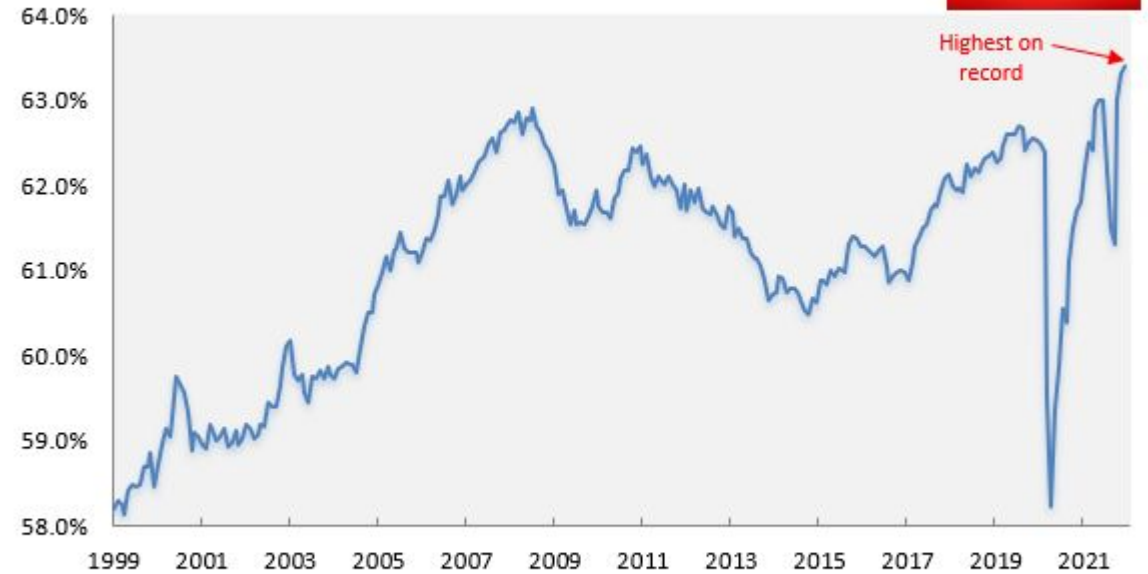
— Part-Time (RHS)

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Employment-to-Population Ratio

Source: Australian Bureau of Statistics



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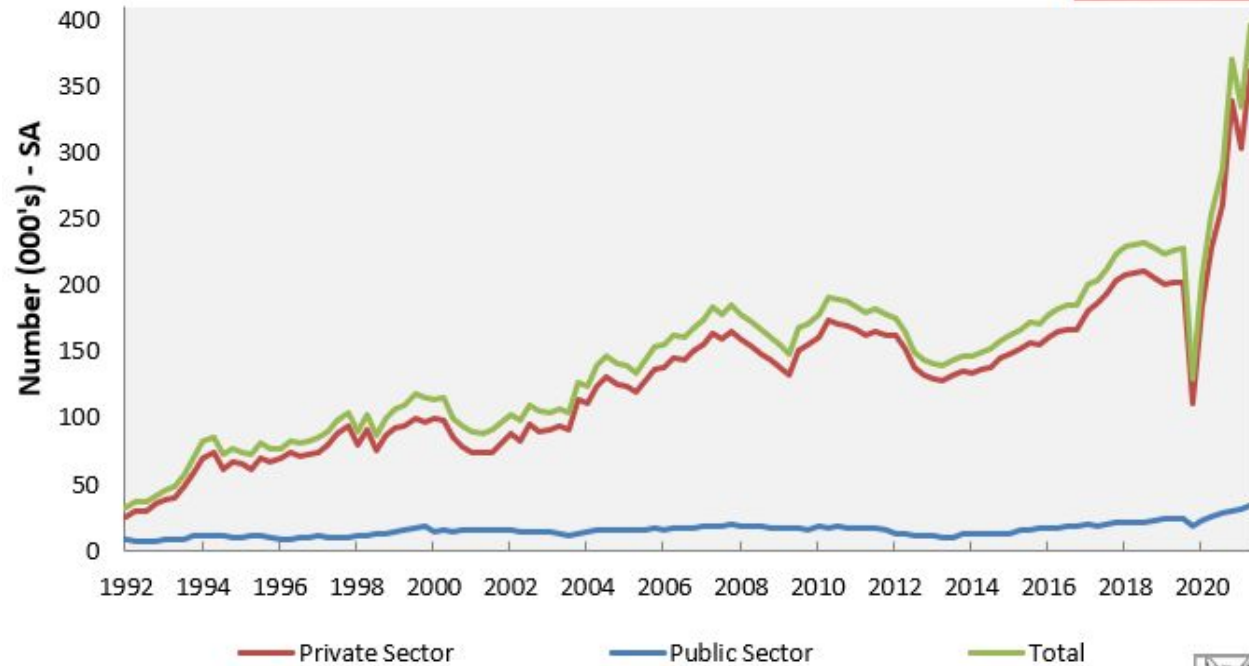
- Full-time jobs have risen 2.3% over the pandemic. Part-time jobs have risen 1.3%.
- Employment-to-population ratio highest on record at 63.4%.

Tightest jobs market on record

Job Vacancies by Sector

Source: Australian Bureau of Statistics

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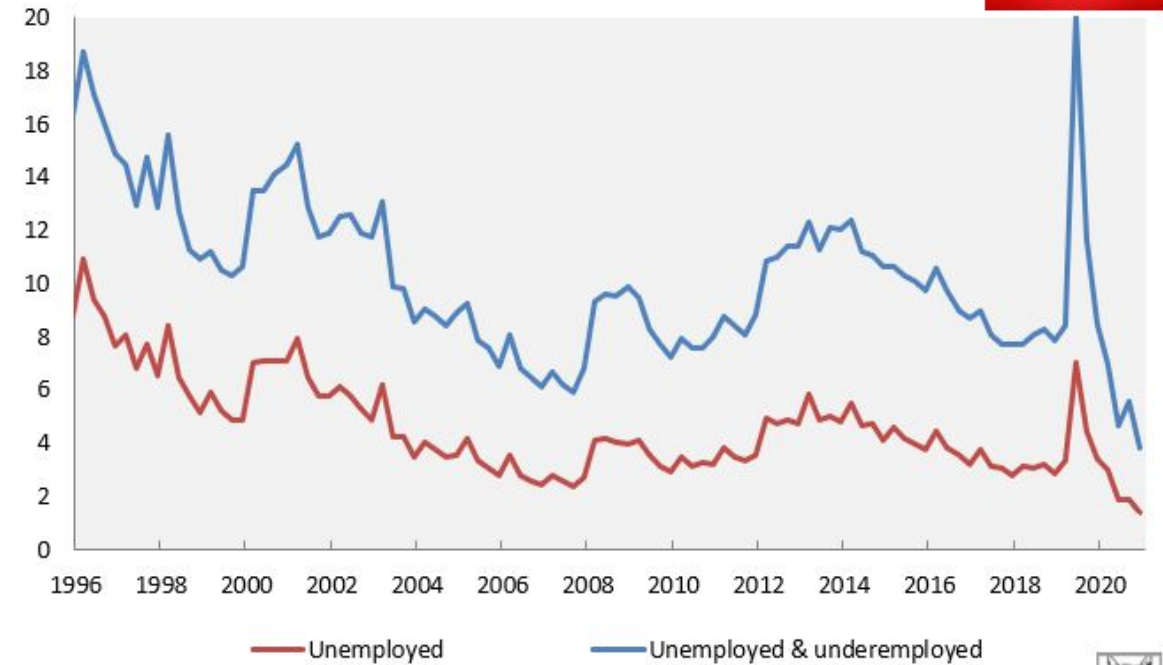
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Australian unemployed per job vacancy

Source: Australian Bureau of Statistics

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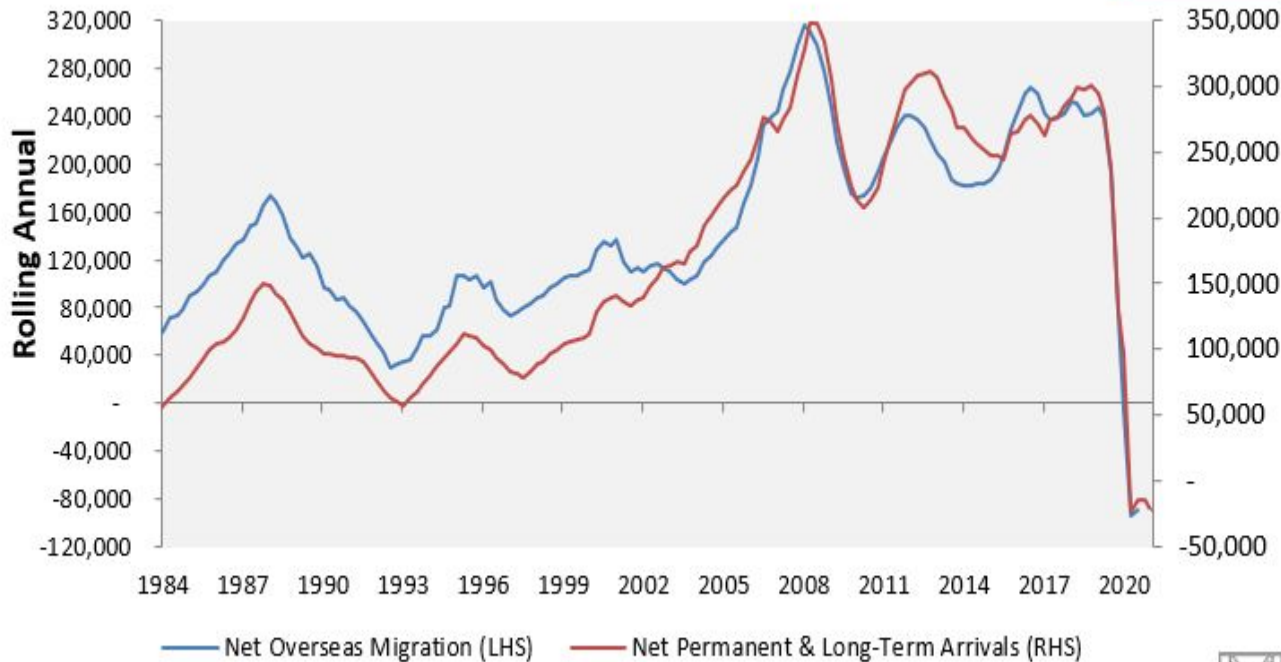
- Highest job vacancies on record.
- Lowest ratio of unemployed (1.4) and underutilised (3.9) per job vacancy on record.

International border closure behind tight jobs market

Australian Net Immigration

Source: Australian Bureau of Statistics

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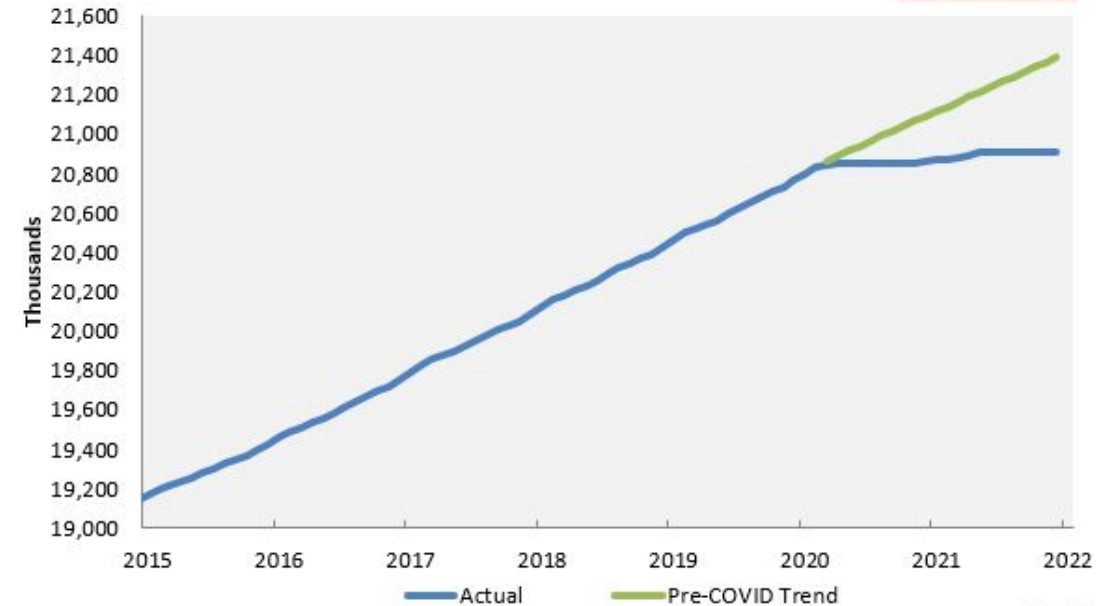
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Civilian population aged over 15 years

Source: Australian Bureau of Statistics

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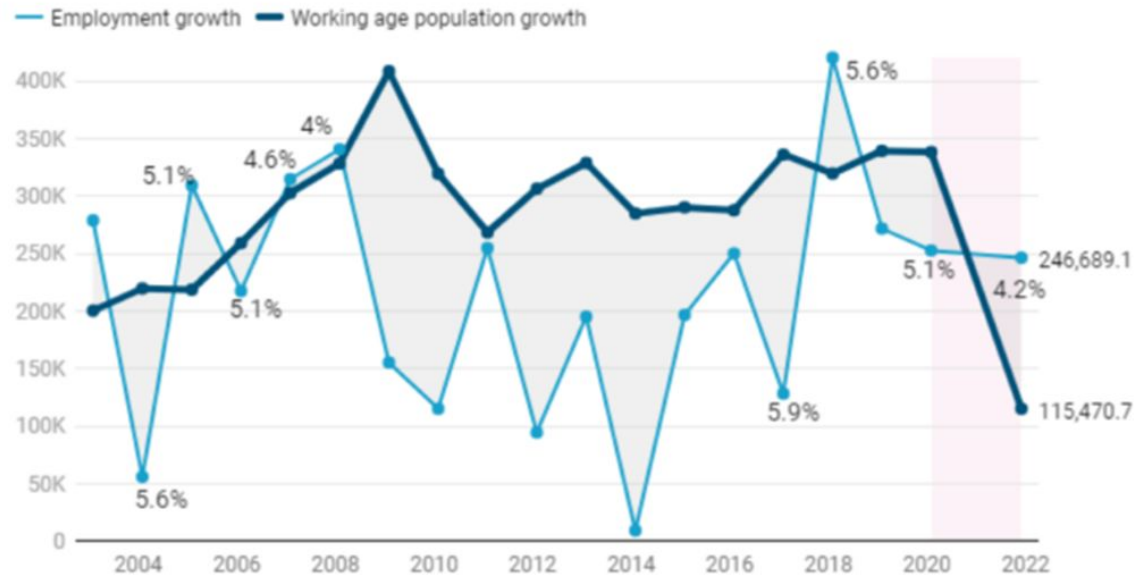


- Collapse in immigration, from positive ~230,000 a year to negative 90,000 over pandemic has caused labour market to go from growing by ~25,000 a month to barely growing.
- Australia would have over 450,000 more working aged people in the economy if immigration had continued at pre-COVID rate.
- Despite below trend employment growth, unemployment and underemployment rates have collapsed.

International border closure behind tight jobs market

When employment grows faster than the working age population, the "unemployment rate" should decline noticeably

The little figures with percentages show the unemployment rates at various points. Notice how the unemployment rate will decline when employment is growing faster than the working age population



The light pink area shows the era of Australia's "closed borders." You can see how quickly growth in the working age population declined. Employment is not growing historically fast at the moment, but it's still growing much faster than the working age pop.

Chart: Gareth Hutchens • Source: Australian Bureau of Statistics • [Get the data](#)

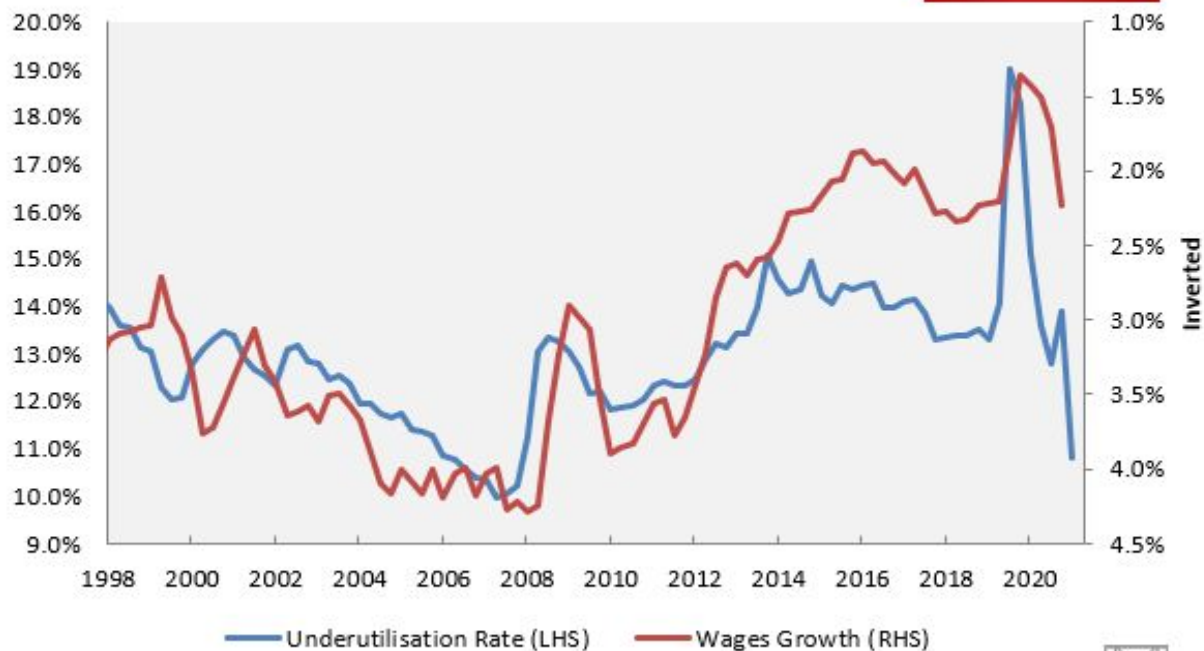
- When the working age population grows faster than employment growth, the unemployment rate rises (and visa versa).
- When immigration was strong, and outpaced jobs growth, the unemployment rate rose.
- The sharp slowdown in the working-aged population (immigration) over the pandemic, in the face of slower jobs growth, is why unemployment has fallen so much.

Wage growth should accelerate

Underutilisation Rate vs Wages Growth

Source: Australian Bureau of Statistics

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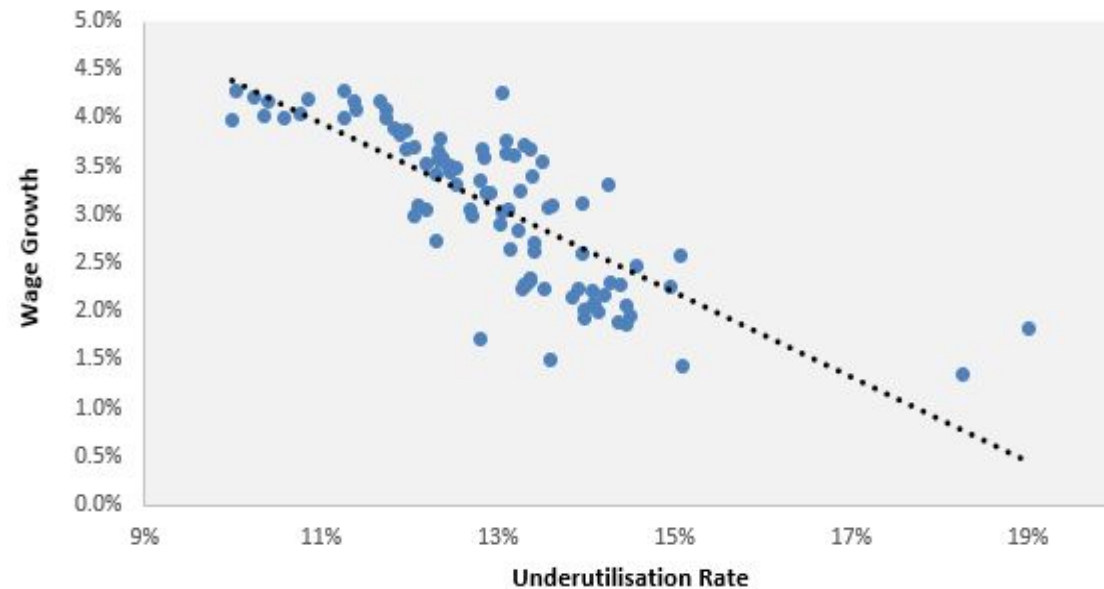
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Wage Growth vs Underutilisation Rate

Source: Australian Bureau of Statistics

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- Australia's wage growth is negatively correlated with the underutilisation rate.
- Sharp fall in underutilisation points to strong rise in wage growth.

Implications for interest rates:

- RBA governor Phil Lowe has repeatedly said that he won't raise the cash rate until wage growth lifts above 3% (from 2.2% in Q321).
- The labour market is currently tight enough to deliver this.
- Depends on how quickly immigration is rebooted
 - Federal government says it wants 200k migrant workers by July 2022.
- A return to pre-pandemic immigration could lead to low-wage pre-pandemic outcomes.

Viewer question of the week:

Are you expecting to receive a solid pay rise in 2022?

Drop your answers in the comments

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