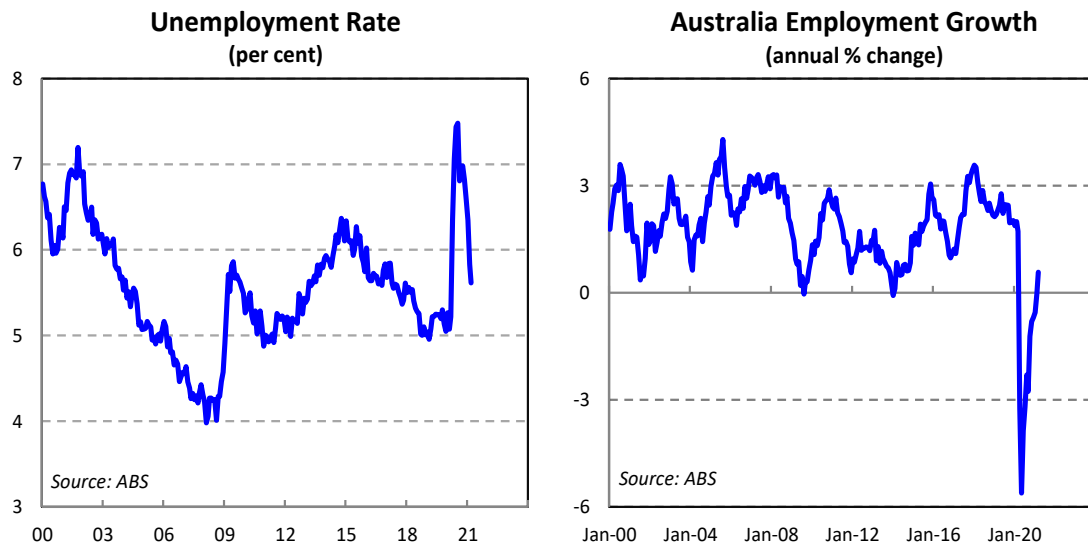


Thursday, 15 April 2021

Labour Force

Jobs Snap Back to Pre-COVID Levels

- Australia's economic recovery has consistently outperformed expectations over the past year. And today's employment data is no exception, with a very strong print which comfortably beat forecasts.
- Employment grew 70.7k in March, a robust result, particularly given February was strong month with 88.7k jobs added. We also hit a milestone – there are now more people employed in Australia than before the pandemic ravaged the labour market.
- The unemployment rate declined to 5.6% from 5.8% in February. This is only 0.5 percentage points higher than in February 2020.
- However, the RBA has indicated the unemployment rate will likely need to be in the high 3s or low 4s to get inflation sustainably back in the 2% to 3% per annum target band. In other words, we are still a long way off meeting the conditions necessary for the RBA to increase the cash rate.
- Western Australia saw the strongest gains in employment, up 32.6k, reflecting its recovery from the lockdown in the first week of February. Queensland was in second, adding 23.3k jobs.
- Looking ahead, leading indicators of employment are surging. Job vacancies hit a record high in February, suggesting there are plenty more jobs coming down the pipeline.
- Next month's data will give us the first glimpse of the impact of JobKeeper's expiry on the economy. However, some disruption to jobs is still likely, but not enough to prevent the unemployment rate ending the year at a lower rate.



Australia's economic recovery has consistently outperformed expectations over the past year. And today's employment data is no exception, with a very strong print which comfortably beat forecasts.

Employment grew 70.7k in March, a robust result, particularly given February was strong month with 88.7k jobs added. We also hit a milestone – there are now more people employed in Australia than before the pandemic ravaged the labour market. To be precise, there are 0.6% more people in jobs than in March 2020.

The increase in employment was driven by a 91.5k rise in part-time employment, which offset a 20.8k decline in full-time jobs. Part-time employment is now 1.9% higher than a year ago while full-time employment is roughly unchanged. The recovery in employment has been led by females. Female employment is now up 1.2% in annual terms while male employment is flat.

Hours worked also surpassed their March 2020 level for the first time since the pandemic hit, up 1.2% over the year.

The **unemployment rate** declined to 5.6% from 5.8% in February. This is only 0.5 percentage points higher than in February 2020. However, the RBA has indicated the unemployment rate will likely need to be in the high 3s or low 4s to get inflation sustainably back in the 2% to 3% per annum target band. We have not seen the unemployment rate around these levels since 2008. In other words, while the labour market has improved in leaps and bounds, we are still a long way off meeting the conditions necessary for the RBA to increase the cash rate.

The **participation rate** increased to 66.3% up from 66.1% in February. This is the highest reading since the series began in 1978. The participation rate typically increases when the economy is performing well.

Underemployment decreased by 0.6 percentage points to 7.9%, reflecting the pick up in hours worked, and is now below its pre-COVID level.

Employed **people working zero hours** for economic reasons (ie. stood down) dropped to 56.9k. This is lower than 76.4k in March 2020. This cohort was likely to be receiving JobKeeper and are the vulnerable to job losses. At the height of the national lockdown in April 2020, this hit a whopping 766.8k.

The ongoing strong momentum in the labour market, and the fact that the number of people working zero hours for economic reasons is now below March 2020 levels, is further evidence that

the impact of the expiry of JobKeeper on March 31 is likely to be muted. On March 18, we published a note on the impact of JobKeeper ending. We estimated 60k – 140k people would lose their jobs following the program's expiry. We will get our first read on how this is playing out in the April labour force data released next month.

States and territories

Western Australia saw the strongest gains in employment, up 32.6k, reflecting its recovery from the lockdown in the first week of February. Queensland was in second, adding 23.3k jobs in the month, likely reflecting the reopening of interstate borders and support from the \$1.2 billion tourism package announced in mid-March.

In other states, there was an increase of 14.6k jobs in NSW, 6.2k in Victoria and 0.4k in Tasmania. South Australia bucked the trend of the other states. It recorded a fall of 0.6k jobs in March. The territories also recorded job losses. Jobs fell 2.7k in the ACT and fell 1.6k in the NT.

Across the states and WA is the first state to break under 5.0% since the pandemic struck our shores. The unemployment rate dropped to 4.8% in March in WA, which is the lowest since December 2013.

The next lowest unemployment rate was in NSW where the unemployment rate fell 0.2 percentage points to 5.4% in the month. Other states had unemployment rates of between 5.9% and 6.3%.

In the territories, the ACT's unemployment rate was 3.4% but NT's jobless rate jumped to 5.6%.

Outlook

Looking ahead, leading indicators of employment are surging. Job vacancies hit a record high in February, suggesting there are plenty more jobs coming down the pipeline.

Next month's data will give us the first glimpse of the impact of JobKeeper's expiry on the economy. The strong momentum in jobs growth leading up to JobKeeper's expiry makes the economy more resilient. However, some disruption to jobs is still likely, but not enough to prevent the unemployment rate ending the year at a lower rate.

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